

Working Together



Third Quarter Report 2005

FORTIS INC.

Dear Shareholder:

Earnings applicable to common shares grew to \$37.4 million from \$25.5 million for the third quarter last year. Earnings per common share, presented on a post 4-for-1 stock split basis, were \$0.36 compared to \$0.27 per common share for the same quarter last year. Year-to-date net earnings applicable to common shares were \$114.8 million, \$45.1 million higher than earnings for the same period last year. Year-to-date earnings per common share were \$1.13 compared to \$0.86 per common share for the same period last year.

Our Regulated Utility business, Non-regulated Generation business and Fortis Properties all delivered increased earnings in the third quarter. Growth in earnings for most of our regulated utilities more than offset reduced earnings at Newfoundland Power and FortisBC. Higher average wholesale energy prices in Ontario and Fortis Properties' acquisition of hotels in Alberta and Manitoba earlier this year were the primary drivers of growth in earnings achieved by our non-regulated businesses.



On August 8, 2005, FortisAlberta announced that the Company had reached an agreement with EPCOR Energy Services (Alberta) Inc. to settle all aspects of a statement of claim filed on August 18, 2003 in the Court of Queen's Bench of Alberta. Fortis has adequate provisions in its financial statements for this settlement. Resolution of this dispute removes one of the last outstanding issues related to the acquisition of FortisAlberta.

Consolidated utility capital expenditures reached \$290.8 million year to date. These expenditures were primarily focused on electrical infrastructure initiatives, the majority of which were driven by FortisAlberta and FortisBC. Fortis expects to invest over \$400 million in its 2005 consolidated utility capital expenditure program.

In September, BECOL began generating electricity at the 7-megawatt hydroelectric generation plant at the Chalillo dam. This upstream storage and hydroelectric facility will improve reliability of energy supply to customers and make the country of Belize more self-reliant in meeting its growing energy demand.

On September 28, 2005, the Board of Directors of Fortis declared a stock dividend effecting a 4-for-1 stock split of the Corporation's outstanding common shares. Concurrently, Fortis declared a 12.3 per cent increase in the quarterly common share cash dividend to 16 cents per common share from 14.25 cents per common share, commencing with the fourth quarter dividend payable on December 1, 2005 to shareholders of record on November 4, 2005. The stock split reflects the achievements of Fortis over many years. Our history of profitable growth has enabled Fortis to increase annual dividend payments to common shareholders for 32 consecutive years, the longest of any public corporation in Canada.

We anticipate that the stock split will increase the availability of common shares for purchase by investors. The increase in liquidity of Fortis shares will likely benefit both institutional shareholders and the significant number of retail shareholders who have been long-term investors in Fortis.

As we move through the fourth quarter, our companies are focused on completing their capital projects for 2005, the majority of which are being undertaken to meet growth in customer demand and to ensure the reliability of our electricity systems. We will continue to make sound investments in capital projects, particularly in our utilities in western Canada where we anticipate significant rate base growth in the coming years. This capital investment should translate into strong organic growth for Fortis.

A handwritten signature in blue ink, appearing to read 'H. Marshall', with a long horizontal flourish extending to the right.

*H. Stanley Marshall
President and Chief Executive Officer
Fortis Inc.*

Fortis Inc. Interim Management Discussion and Analysis

For the three and nine months ended September 30, 2005

Dated November 1, 2005

The following analysis should be read in conjunction with the Fortis Inc. (“Fortis” or the “Corporation”) interim unaudited consolidated financial statements for the three and nine months ended September 30, 2005 and the Management Discussion and Analysis and audited consolidated financial statements for the year ended December 31, 2004 included in the Corporation’s 2004 Annual Report. This material has been prepared in accordance with National Instrument 51-102 relating to Management Discussion and Analysis.

Fortis includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation’s continuous disclosure materials filed from time to time with Canadian Securities Regulatory Authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial information in this release has been prepared in accordance with generally accepted accounting principles (“Canadian GAAP”) and is presented in Canadian dollars unless otherwise specified.

Financial Highlights (Unaudited)				
Period Ended September 30th				
<i>(\$ millions, except per common share amounts)</i>	Quarter		Year-to-date	
	2005	2004	2005	2004
Revenue and equity income	341.7	303.7	1,088.4	809.0
Cash flow from operations	99.8	110.6	229.0	180.7
Net earnings applicable to common shares	37.4	25.5	114.8	69.7
Basic earnings per common share (\$) ⁽¹⁾	0.36	0.27	1.13	0.86
Diluted earnings per common share (\$) ⁽¹⁾	0.33	0.25	1.03	0.82
	Segmented Net Earnings Contribution			
	Quarter		Year-to-date	
	2005	2004	2005	2004
Newfoundland Power	3.4	5.0	27.8	27.8
Maritime Electric	3.0	2.3	7.4	6.4
FortisOntario	2.1	1.2	4.2	3.4
FortisAlberta	9.3	8.7	31.9	11.1
FortisBC	4.6	5.2	18.9	6.1
Regulated Utilities – Canadian	22.4	22.4	90.2	54.8
Belize Electricity	3.2	2.1	6.0	5.6
Caribbean Utilities – Equity Income	3.0	2.5	8.6	6.6
Regulated Utilities – Caribbean	6.2	4.6	14.6	12.2
Total Regulated Utilities	28.6	27.0	104.8	67.0
Non-regulated – Fortis Generation ⁽²⁾	7.8	2.0	21.0	8.1
Non-regulated – Fortis Properties	4.9	4.3	11.2	9.0
Corporate	(3.9)	(7.8)	(22.2)	(14.4)
Net earnings applicable to common shares	37.4	25.5	114.8	69.7
⁽¹⁾ Earnings per common share data for the quarter and year to date for the period ended September 30, 2005 reflect the impact of the 4-for-1 stock split completed in October 2005. Comparative 2004 earnings per common share data has also been adjusted to reflect the stock split.				
⁽²⁾ Includes the operations of non-regulated generating assets in British Columbia, Ontario, central Newfoundland, Upper New York State and Belize.				

Net earnings applicable to common shares for the third quarter were \$37.4 million, or \$0.36 per common share, compared to \$25.5 million, or \$0.27 per common share, for the same quarter last year. Earnings per common share have been adjusted to reflect the 4-for-1 stock split completed in October 2005. Earnings for the third quarter were \$11.9 million higher than for the same quarter last year primarily due to higher average wholesale energy prices in Ontario, a \$3.1 million, net of tax, unrealized foreign exchange gain associated with the translation of US\$60 million of unhedged corporate long-term debt and increased earnings at Belize Electricity, Caribbean Utilities and Fortis Properties. Total earnings from Regulated Utilities - Canadian were comparable quarter over quarter. The net impact of several adjustments at FortisAlberta, FortisBC and FortisOntario and higher earnings at Maritime Electric helped offset lower quarterly earnings at Newfoundland Power related to the new purchase power rate structure and higher finance charges at the utilities in western Canada.

Year-to-date net earnings applicable to common shares were \$114.8 million, or \$1.13 per common share, compared to \$69.7 million, or \$0.86 per common share, for the same period in 2004. Year-to-date earnings were \$45.1 million higher than for same period last year primarily due to 9 months of earnings contributions from FortisAlberta and FortisBC compared to 4 months for the same period last year, a \$7.9 million after-tax gain resulting from the settlement of contractual matters between FortisOntario and Ontario Power Generation Inc. ("OPGI"), higher average wholesale energy prices in Ontario and higher earnings at Fortis Properties, Caribbean Utilities, Maritime Electric and FortisOntario. These earnings contributions were partially offset by lower hydroelectric production in Belize, due to lower rainfall levels, and higher corporate finance charges associated with the acquisition of FortisAlberta and FortisBC.

Growth in earnings per common share for the quarter and year to date compared to the same periods last year was partially offset by the dilution created by the \$130 million of common shares issued in March 2005.

REGULATED UTILITIES – CANADIAN

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004	2005	2004
Electricity Sales (GWh)	873	856	3,813	3,743
<i>(\$ millions)</i>				
Revenue	77.5	76.6	318.6	300.1
Energy Supply Costs	46.3	44.3	186.9	172.1
Operating Expenses	11.9	10.9	40.0	37.8
Amortization	6.0	6.0	25.9	24.6
Finance Charges	8.0	7.6	23.4	22.8
Corporate Taxes	1.7	2.6	14.2	14.6
Non-controlling Interest	0.2	0.2	0.4	0.4
Earnings	3.4	5.0	27.8	27.8

Newfoundland Power's earnings for the third quarter were \$3.4 million compared to \$5.0 million for the same quarter last year. The impact of timing differences associated with the basis upon which purchased power is charged to the Company under the new purchased power rate structure, effective January 1, 2005, decreased earnings by \$1.0 million. Earnings also decreased due to a 0.5 per cent decrease in customer electricity rates effective January 1, 2005, costs associated with a voluntary Early Retirement Program ("ERP") offered in the first quarter of 2005 and higher finance charges, partially offset by higher electricity sales and increased revenue from pole rentals.

The change in the purchased power rate structure was the result of an order from the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"), effective January 1, 2005, and was intended to encourage conservation and demand management which, in turn, should lower long-term consumer electricity costs. Due to the new purchased power rate structure, earnings in the first half of 2005 were higher compared to the same period in 2004 and are expected to be lower in the second half of 2005 than the second half of 2004.

Year-to-date earnings were \$27.8 million, comparable to the same period last year. Year-to-date earnings were impacted by the new purchased power rate structure and interest revenue recorded as a result of the income tax settlement with Canada Revenue Agency (“CRA”) as reported in the second quarter of 2005. Excluding the impact of the tax settlement and the change in the purchased power rate structure, earnings were \$0.9 million lower compared to the same period last year. The decrease was due to a 0.5 per cent reduction in customer electricity rates, effective January 1, 2005, higher pension costs, the ERP offered in the first quarter of 2005, higher finance charges and normal wage and inflationary pressures on operating expenses, partially offset by higher electricity sales and increased revenue from pole rentals.

Electricity sales for the third quarter were 873 gigawatt hours (“GWh”), 2.0 per cent higher than electricity sales of 856 GWh for the same quarter last year. Increased residential electricity sales accounted for 9 GWh, while increased commercial electricity sales and street lighting accounted for 8 GWh. Year-to-date electricity sales were 3,813 GWh, 1.9 per cent higher than electricity sales of 3,743 GWh for the same period last year. Increased residential electricity sales accounted for 40 GWh, while increased commercial electricity sales and street lighting accounted for the remaining 30 GWh. Residential electricity sales growth was due primarily to a strong housing construction market. Growth in commercial sales was attributed to growth in the service sector of the economy and continued development of the oil industry in the Province.

Revenue for the third quarter was \$77.5 million compared to \$76.6 million for the same quarter last year. The increase was due to higher electricity sales and increased pole rentals, partially offset by a 0.5 per cent decrease in customer electricity rates, effective January 1, 2005. The rate decrease resulted from the annual operation of the automatic adjustment formula which reduced the Company’s rate of return on equity (“ROE”) for the purpose of setting rates from 9.75 per cent in 2004 to 9.24 per cent in 2005.

Year-to-date revenue was \$318.6 million compared to \$300.1 million for the same period last year. The increase was primarily due to a 5.4 per cent increase in electricity rates charged to customers, effective July 1, 2004, as a result of the flow through of an increase in the rate Newfoundland and Labrador Hydro (“Newfoundland Hydro”) charges the Company for purchased power. Due to this change, both revenue and purchased power increased approximately \$12.3 million year to date. Both increases have no overall impact on Newfoundland Power’s 2005 earnings. Year-to-date revenue also increased as a result of higher electricity sales, increased pole rentals and higher interest revenue as a result of the CRA tax settlement, partially offset by the 0.5 per cent decrease in customer electricity rates.

Energy supply costs for the third quarter were \$46.3 million compared to \$44.3 million for the same quarter last year. The increase was due primarily to the impact of the new purchased power rate structure. The change in the purchased power rate structure resulted in a movement from an energy-only charge to an energy and demand charge. Under this rate structure, a portion of the Company’s annual purchased power cost, the demand charge, is fixed based on maximum demand for the previous winter season. Previously, under the energy-only rate structure, purchased power costs varied based on the amount of electricity used by Newfoundland Power’s customers.

Year-to-date energy supply costs were \$186.9 million compared to \$172.1 million for the same period last year. The July 1, 2004 increase in the rate charged by Newfoundland Hydro, as discussed above, resulted in higher energy supply costs of \$12.3 million, while the remainder of the increase primarily related to electricity sales growth and the impact of the new purchased power rate structure.

Operating expenses for the third quarter were \$11.9 million compared to \$10.9 million for the same quarter last year. Year-to-date operating expenses were \$40.0 million compared to \$37.8 million for the same period last year. The increase was primarily due to the amortization of pension costs and retirement allowances associated with the ERP offered in the first quarter of 2005. The remainder of the increase in operating expenses was due to normal wage and inflationary increases and increased pension costs, partially offset by a continued focus on cost management and control.

Amortization costs were \$6.0 million, comparable to the same quarter last year. Year-to-date amortization costs were \$25.9 million compared to \$24.6 million for the same period last year. Amortization costs increased \$0.2 million and \$0.9 million over the same quarter and year to date periods, respectively, due to capital asset growth. Annual amortization of capital assets is allocated over the 4 quarters of the year based on expected net margin. The new purchased power rate structure impacted quarterly net margin in 2005 as compared to 2004, resulting in a \$0.4 million and \$0.2 million reduction in amortization costs over the same quarter and year-to-date periods, respectively. Various other timing differences in net margin have resulted in the remaining change in amortization costs for the quarter and year to date compared to the same periods last year.

Finance charges for the third quarter were \$8.0 million compared to \$7.6 million for the same quarter last year. Year-to-date finance charges were \$23.4 million compared to \$22.8 million for the same period last year. The increase was due to higher short-term borrowing rates in 2005, combined with an increase in borrowing requirements to finance the Company’s capital program. In addition, in August 2005, the Company repaid \$60.0 million of lower cost short-term borrowings with the proceeds of a new series of 5.441% 30-year First Mortgage Sinking Fund Bonds.

During the quarter, the Company filed an accounting policy application with the PUB. The accounting application deals with revenue recognition policy and matters related to the proposed transition from accounting for revenue on a billed basis to an accrual basis beginning in 2006. The Company’s proposals will, if approved by the PUB, provide accrual revenue to offset increasing capital asset amortization in 2006, defer an otherwise required increase in customer rates and allow the Company to earn a fair and reasonable return.

Maritime Electric

Maritime Electric Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004	2005	2004
Electricity Sales (GWh)	250	246	747	735
<i>(\$ millions)</i>				
Revenue	30.2	29.9	87.8	87.6
Energy Supply Costs	18.2	18.5	53.3	54.6
Operating Expenses	3.0	3.2	9.2	9.0
Amortization	2.4	2.3	7.2	6.9
Finance Charges	1.6	2.0	5.8	6.4
Corporate Taxes	2.0	1.6	4.9	4.3
Earnings	3.0	2.3	7.4	6.4

Maritime Electric’s earnings for the third quarter were \$3.0 million compared to \$2.3 million for the same quarter last year. The increase was primarily due to increased revenue and decreased energy supply costs and finance charges. Year-to-date earnings were \$7.4 million compared to \$6.4 million for the same period last year. The increase was primarily due to decreased energy supply costs and finance charges.

On June 24, 2005, the Island Regulatory and Appeals Commission (“IRAC”) issued its Order with respect to Maritime Electric’s General Rate Application, approving the requested 2 per cent increase in electricity rates, effective July 1, 2005, with the current interim and transitional energy cost adjustment mechanism (“ECAM”) to remain in effect until June 30, 2006.

Electricity sales for the third quarter were 250 GWh, an increase of 1.6 per cent over the same quarter last year. Residential sales were up 1.2 per cent while commercial sales rose 2.1 per cent. Year-to-date electricity sales were 747 GWh, an increase of 1.6 per cent over the same period last year. The increase in residential sales was largely due to an expanding customer base and higher consumption. Commercial sales rose due to increased manufacturing and processing output.

Revenue for the third quarter was \$30.2 million compared to \$29.9 million for the same quarter last year. Year-to-date revenue was \$87.8 million compared to \$87.6 million for the same period last year. Increased revenue as a result of the 2 per cent electricity rate increase, effective July 1, 2005, and higher electricity sales were partially offset by increased amortization of recoverable costs against revenue as permitted by IRAC on January 6, 2005 (the “Interim Order”). The Interim Order allows Maritime Electric to establish an ECAM, with application to the period commencing January 1, 2004, and to commence amortization of the \$20.8 million in recoverable costs accumulated as at December 31, 2003. Recoverable costs of \$1.5 million were amortized in 2004, with a further \$2.5 million being amortized in 2005.

Energy supply costs for the third quarter were \$18.2 million compared to \$18.5 million for the same quarter last year. Year-to-date energy supply costs were \$53.3 million compared to \$54.6 million for the same period last year. In addition to the amortization of the pre-2004 recoverable energy costs, the Interim Order also allowed Maritime Electric to collect energy costs above a base rate of \$0.0673 per kilowatt hour (“kWh”) or to rebate to customers energy costs below \$0.0673 per kWh. As a result, energy supply costs expensed for 2005 are based on \$0.0673 per kWh compared to the actual cost incurred in 2004. The decrease in energy supply costs was the result of the impact of the Interim Order, the expiration of the Emera contract in December 2004, the avoidance of the use of on-Island peaking capacity and lower-than-anticipated curtailable energy costs compared to the same periods in 2004. During the first 3 quarters of 2005, Maritime Electric purchased the majority of its energy from New Brunswick Power Corporation (“NB Power”) under several energy purchase agreements.

Finance charges for the third quarter were \$1.6 million compared to \$2.0 million for the same quarter last year. Year-to-date finance charges were \$5.8 million compared to \$6.4 million for the same period last year. The decrease in finance charges was due to the amount of interest capitalized during construction compared to the same periods last year.

As at September 30, 2005, Maritime Electric has spent \$28.0 million on the construction of the \$35 million 50-megawatt (“MW”) generating facility on Prince Edward Island. This facility, which can operate on light oil or natural gas, will address submarine cable loading issues and reduce the Company’s reliance on imported electricity. The targeted in-service date is late 2005.

FortisOntario ¹

FortisOntario				
Financial Highlights (Unaudited)				
Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004	2005	2004
Electricity Sales (GWh)	296	265	899	899
<i>(\$ millions)</i>				
Revenue	36.6	30.3	106.8	93.4
Energy Supply Costs	28.9	22.6	84.4	71.1
Operating Expenses	4.3	3.2	10.4	9.2
Amortization	1.3	1.2	3.8	3.7
Finance Charges	1.2	1.3	3.8	3.9
Corporate Taxes	(1.2)	0.8	0.2	2.1
Earnings	2.1	1.2	4.2	3.4

FortisOntario’s earnings for the third quarter were \$2.1 million compared to \$1.2 million for the same quarter last year. Year-to-date earnings were \$4.2 million compared to \$3.4 million for the same period last year. The increase in earnings was primarily due to the recognition of a \$1.6 million future tax asset associated with the favourable resolution of a CRA reassessment related to Cornwall Electric, partially offset by an increase in operating expenses.

Electricity sales for the third quarter were 296 GWh compared to 265 GWh for the same quarter last year. The increase in electricity sales for the quarter was primarily due to higher average customer usage due to warmer

¹ FortisOntario is comprised of Canadian Niagara Power Inc. (“Canadian Niagara Power”) and Cornwall Street Railway, Light and Power Company, Limited (“Cornwall Electric”).

weather compared to the same quarter last year. Year-to-date electricity sales were 899 GWh, comparable to the same period last year. Year to date, an increase in electricity sales related to higher average customer usage was offset primarily by the impact of the loss of an industrial customer in Cornwall in the first half of 2004.

Revenue for the third quarter was \$36.6 million compared to \$30.3 million for the same quarter last year. The increase in revenue was primarily due to increased electricity sales and a change in the cost of power component billed to Canadian Niagara Power's customers. Year-to-date revenue was \$106.8 million compared to \$93.4 million for the same period last year. The increase in year-to-date revenue was primarily due to increases in Cornwall Electric's electricity rates and the change in the cost of power component billed to Canadian Niagara Power's customers. The change in the cost of power component billed increased both revenue and energy supply costs; however, it did not impact earnings.

Operating expenses for the third quarter were \$4.3 million compared to \$3.2 million for the same quarter last year. Year-to-date operating expenses were \$10.4 million compared to \$9.2 million for the same period last year. The increase was primarily due to a \$1.0 million increase in the allocation of shared service costs from the Company's non-regulated Ontario generation operations resulting from a recent internal cost allocation study.

Corporate taxes were in a \$1.2 million recovery position for the third quarter compared to a \$0.8 million charge for the same quarter last year. Year-to-date corporate taxes were \$0.2 million compared to \$2.1 million for the same period last year. The decrease in corporate taxes was primarily due to the recognition of a \$1.6 million future tax asset associated with the favourable resolution of a CRA reassessment of a tax asset created when Cornwall Electric was acquired by a previous owner.

On December 9, 2002, the Government of Ontario enacted *Bill 210, the Electricity Pricing, Conservation and Supply Act, 2002*, which implemented a freeze on distribution rates. In September 2005, FortisOntario filed a General Rate Application to set rates effective May 1, 2006.

FortisAlberta²

FortisAlberta				
Financial Highlights (Unaudited)				
Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004²	2005	2004²
Electricity Sales (GWh)	3,525	3,380	10,612	4,427
<i>(\$ millions)</i>				
Revenue	66.8	55.3	201.1	72.4
Operating Expenses	28.2	24.4	83.0	32.5
Amortization	14.9	13.3	45.6	17.6
Finance Charges	6.1	3.7	17.9	4.9
Corporate Taxes	8.3	5.2	22.7	6.3
Earnings	9.3	8.7	31.9	11.1

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta"). FortisAlberta owns and operates the electricity distribution system in a substantial portion of central and southern Alberta and distributes electricity to approximately 412,000 customers using more than 103,000 kilometers of power lines. FortisAlberta is regulated by the Alberta Energy and Utilities Board ("AEUB") under traditional cost of service regulation.

On May 24, 2005, the AEUB approved the Negotiated Settlement dealing with all aspects of FortisAlberta's 2005 Distribution Access Tariff Application. The Negotiated Settlement, which eliminated the need for a full-scale hearing process, resulted in a 2005 distribution revenue requirement of \$215.4 million which translates into a 2.1 per cent increase on base rates for 2005, effective August 1, 2005. The approved revenue requirement reflects forecast operating expenses of \$101.0 million and capital expenditures of \$134.3 million. The cumulative impact of

² On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are since June 1, 2004 only.

the Negotiated Settlement on results for the first half of 2005 was reflected in the second quarter of 2005. FortisAlberta billed customers on interim rates for the period January 1, 2005 through July 31, 2005. The revenue shortfall for this period is being collected from customers over the period August 2005 through December 2005 through a distribution adjustment rider. FortisAlberta expects to file for its 2006 and 2007 customer rates in November 2005.

On August 8, 2005, FortisAlberta announced that it had reached an agreement with EPCOR Energy Services (Alberta) Inc. ("EPCOR") to settle all aspects of the statement of claim filed on August 18, 2003 in the Court of Queen's Bench of Alberta. All amounts related to the settlement were reflected in the Corporation's second quarter results as the Corporation had adequate provisions in its financial statements to offset the impact of the settlement. Proceeds receivable under an insurance policy have partially offset the settlement of the EPCOR litigation and were reflected in the third quarter. All aspects of the EPCOR settlement and the insurance recovery are confidential.

FortisAlberta's earnings for the third quarter were \$9.3 million compared to \$8.7 million for the same quarter last year. The increase was primarily due to an insurance recovery related to the settlement of the EPCOR litigation and higher revenues, partially offset by higher operating expenses, finance charges and amortization costs. Year-to-date earnings were \$31.9 million compared to \$11.1 million for the same period last year. The increase was primarily due to 2004 results including earnings for FortisAlberta from June 1, 2004 only. Additionally, year-to-date 2005 results include \$11.0 million in earnings primarily associated with the resolution of tax-related matters resulting in the reduction of liabilities associated with prior periods and the impact of the settlement of the EPCOR litigation, net of the insurance recovery, partially offset by certain accounting adjustments following the Negotiated Settlement.

Electricity sales for the third quarter were 3,525 GWh, 4.3 per cent higher than electricity sales of 3,380 GWh for the same quarter last year. The increase was mainly due to an increase in consumption and the number of customers in the residential, commercial and oil and gas sectors due to higher oil and gas prices and a strong provincial economy. These increases were partially offset by decreased consumption in the farming and irrigation sector as a result of a wet summer season. Electricity sales year to date were also impacted by these factors.

Revenue for the third quarter was \$66.8 million compared to \$55.3 million for the same quarter last year. The increase in revenue was primarily due to the finalization of load settlement amounts related to prior periods, favourable volume variances on transmission revenues, the insurance recovery related to the settlement of the EPCOR litigation, the 2.1 per cent increase in electricity rates and higher electricity sales. In addition to factors described for the quarter, year-to-date revenues were also favourably impacted by the resolution of tax-related matters resulting in the reduction of liabilities associated with prior periods.

Operating expenses for the third quarter were \$28.2 million compared to \$24.4 million for the same quarter last year. The increase was primarily due to higher labour, overtime and material costs associated with increased line maintenance activities and a change from 2004 in the method used to record inter-company operating expense recoveries. The higher overtime charges were primarily due to regular maintenance activities and additional capital replacement work during the quarter due to tornado and flood damage to the distribution system. Year-to-date operating expenses were also impacted by these factors.

Amortization costs for the third quarter were \$14.9 million compared to \$13.3 million for the same quarter last year. The increase was primarily due to higher depreciation rates as a result of the Negotiated Settlement and an increase in capital assets due primarily to load growth within the Company's service territory. Year-to-date amortization costs were also impacted by these factors.

Finance charges for the third quarter were \$6.1 million compared to \$3.7 million for the same quarter last year. Finance charges were higher primarily due to interest rates on the \$400 million public debentures issued on October 25, 2004 being higher than those on the short-term bridge facility that was repaid with the proceeds of the debt issue.

In June 2005, FortisAlberta and the City of Airdrie signed a 10-year Electric Distribution Franchise Agreement. This agreement grants FortisAlberta the exclusive right to own, operate and maintain the electric distribution service within the City of Airdrie's rights-of-way. Previous to this, the City of Airdrie had provided the Company notice of its intention to terminate its Franchise Agreement and pursue its rights under the Municipal Government Act to purchase the Company's distribution network.

FortisBC³

FortisBC Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2005⁴	2004³	2005⁴	2004³
Electricity Sales (GWh)	690	661	2,165	873
<i>(\$ millions)</i>				
Revenue	45.1	42.0	144.6	54.4
Energy Supply Costs	13.9	13.1	44.5	16.8
Operating Expenses	16.0	13.6	48.0	18.0
Amortization	4.8	4.2	14.1	5.7
Finance Charges	4.4	4.1	13.2	5.4
Corporate Taxes	1.4	1.8	5.9	2.4
Earnings	4.6	5.2	18.9	6.1

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC"). FortisBC is an integrated electric utility operating in the southern interior of British Columbia, serving directly and indirectly over 146,000 customers. FortisBC is regulated by the British Columbia Utilities Commission ("BCUC"). FortisBC's revenue and rates are based on traditional cost of service regulation. However, FortisBC is also subject to a performance-based rate mechanism that is used in establishing annual rate adjustments.

On May 31, 2005, the BCUC issued its decision on FortisBC's 2005 Revenue Requirement application approving a 3.4 per cent rate increase, effective January 1, 2005. This rate replaced the interim rate of 3.7 per cent. Due to the change in rates, approximately \$0.3 million was refunded to customers during the third quarter. The decision also approved an ROE of 9.43 per cent and continuation of a common equity ratio of 40 per cent. FortisBC submitted its 2005 Capital Plan in the amount of \$121.6 million, of which \$117.3 million was approved and \$4.3 million is subject to further review and approval. In August 2005, FortisBC filed its 2006 Capital Plan for approval to spend approximately \$111.7 million on its electrical facilities. The Company will also file a Revenue Requirement application in the fourth quarter of 2005 to determine customer rates for 2006.

In June 2005, a British Columbia utility applied to the BCUC for a review of the current ROE adjustment mechanism that also applies to FortisBC. The application is subject to a regulatory process in which FortisBC is participating, to the extent that the proceedings affect FortisBC. The impact and materiality of any changes to the ROE adjustment mechanism cannot be estimated or reasonably determined at this time.

On May 31, 2005, Fortis, through an indirect wholly owned subsidiary, acquired all issued common and preference shares of Princeton Light and Power Company, Limited ("PLP") for \$3.7 million. PLP is an electric utility serving approximately 3,200 customers, mainly in Princeton, British Columbia. PLP presently purchases its wholesale power from FortisBC under a long-term contract. The financial results of PLP are included in the FortisBC segmented results and are since June 1, 2005 only. The impact of PLP on third quarter and year-to-date earnings was negligible.

FortisBC's earnings for the third quarter were \$4.6 million compared to \$5.2 million for the same quarter last year. The decrease in earnings was primarily due to higher energy supply costs, operating expenses, finance charges and amortization costs, partially offset by increased revenue. Year-to-date earnings were \$18.9 million compared to \$6.1 million for the same period last year. The increase was primarily due to 2004 results including earnings for FortisBC from June 1, 2004 only.

³ On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are since June 1, 2004 only.

⁴ On May 31, 2005, Fortis, through an indirect wholly owned subsidiary, acquired Princeton Light and Power Company, Limited. Financial results for PLP are since June 1, 2005 only.

Electricity sales for the third quarter were 690 GWh compared to 661 GWh for the same quarter last year. The increase was primarily due to a 2.6 per cent increase in the number of commercial and residential customers, as a result of continued population growth in the Okanagan region, and 17 GWh in electricity sales attributable to PLP. Year-to-date electricity sales were also favourably impacted by cooler temperatures in the first half of 2005 compared to the same period last year which resulted in an increased heating load.

Revenue for the third quarter was \$45.1 million compared to \$42.0 million for the same quarter last year. The increase was primarily due to increased electricity sales, a 3.4 per cent increase in electricity rates, effective January 1, 2005, an increase in the amount accrued for unbilled revenue and revenue attributable to PLP, partially offset by a decrease in other revenue primarily associated with performance-based regulatory incentive adjustments. Year-to-date revenues were also impacted by these factors.

Energy supply costs were \$13.9 million compared to \$13.1 million for the same quarter last year. The lower energy supply costs for the third quarter of 2004 were primarily due to a \$1.1 million adjustment which reduced energy supply costs for that quarter.

Operating expenses for the third quarter were \$16.0 million compared to \$13.6 million for the same quarter last year. The increase was primarily due to increased customer service and system maintenance activities, general inflationary increases and operating expenses attributable to PLP. Year-to-date expenses were partially offset by a \$0.5 million refund relating to a Government of British Columbia tax appeal.

Amortization costs for the third quarter were \$4.8 million compared to \$4.2 million for the same quarter last year. This increase was mainly due to an increase in the capital assets resulting from the Company's capital expenditure program. Year-to-date amortization costs were also impacted by this factor.

Finance charges for the third quarter were \$4.4 million compared to \$4.1 million for the same quarter last year. The increase was primarily due to increased borrowings to finance FortisBC's significant capital expenditure program and interest rates on the \$140 million debentures issued on November 30, 2004 being higher than those on the short-term debt repaid with the proceeds of this issue. The increase was partially offset by an increase in capitalized interest associated with large, long-term capital projects.

REGULATED UTILITIES - CARIBBEAN

Belize Electricity

Belize Electricity				
Financial Highlights (Unaudited)				
Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004	2005	2004
Average US:CDN Exchange Rate	1.20	1.31	1.22	1.33
Electricity Sales (GWh)	95	89	263	246
<i>(\$ millions)</i>				
Revenue	21.9	18.9	56.0	54.8
Energy Supply Costs	11.9	10.2	30.1	28.6
Operating Expenses	2.2	2.4	7.9	8.4
Amortization	1.3	1.6	4.5	4.9
Finance Charges	1.5	1.3	4.3	4.2
Foreign Exchange Loss (Gain)	-	0.1	(0.4)	(0.2)
Corporate Taxes and Non-controlling Interest	1.8	1.2	3.6	3.3
Earnings	3.2	2.1	6.0	5.6

Belize Electricity's earnings for the third quarter were \$3.2 million (BZ\$5.1 million) compared to \$2.1 million (BZ\$3.1 million) for the same quarter last year. Year-to-date earnings were \$6.0 million (BZ\$9.6 million) compared to \$5.6 million (BZ\$8.2 million) for the same period last year. The increase in earnings was primarily due to the 11 per cent increase in electricity rates, effective July 1, 2005, as a result of the new 4-year tariff agreement and higher electricity sales, partially offset by increased finance charges and the impact of the depreciation of the US dollar relative to the Canadian dollar compared to the same periods last year.

Belize Electricity is regulated by the Public Utilities Commission ("PUC") and base electricity rates in Belize are comprised of 2 components. The first, Value Added Delivery, ("VAD"), is subject to price cap and the second is the cost of fuel and purchased power ("COP"), including the variable cost of generation, which is a flow through in customer rates. Belize Electricity filed its first full Tariff Application on March 2, 2005 to establish a new 4-year VAD tariff setting arrangement. On July 14, 2005, the PUC delivered its final Decision approving an overall increase in electricity rates, inclusive of the recovery of the Rate Stabilization Account balance, to BZ\$0.39 per kWh from BZ\$0.349 per kWh, effective July 1, 2005. As a result of the Decision, the VAD component of electricity rates increased to BZ\$0.162 per kWh from BZ\$0.14 per kWh while the COP component increased to BZ\$0.21 per kWh from BZ\$0.175 per kWh. The Company is currently in discussions with the PUC concerning the final Tariff Decision with the aim of obtaining a revised simplified tariff decision before the end of 2005.

Electricity sales for the third quarter were 95 GWh, approximately 7 per cent higher than the same quarter last year. Year-to-date electricity sales were 263 GWh, approximately 7 per cent higher than the same period last year. Increased electricity sales in both the residential and commercial segments were driven by economic growth.

Revenue for the third quarter was \$21.9 million (BZ\$36.8 million) compared to \$18.9 million (BZ\$29.0 million) for the same quarter last year. Excluding foreign exchange impacts, revenue increased almost 27 per cent compared to the same quarter last year. The increase was primarily due to the 18 per cent increase in the VAD and COP components of electricity rates, effective July 1, 2005, and the 7 per cent growth in electricity sales. Year-to-date revenue was \$56.0 million (BZ\$91.9 million) compared to \$54.8 million (BZ\$82.3 million) for the same period last year. Excluding foreign exchange impacts, revenue increased nearly 12 per cent compared to the same period last year. The increase was due to the 18 per cent increase in base electricity rates, as described above, and higher electricity sales, partially offset by the final reduction of rates of BZ\$0.01 per kWh, implemented July 2004 through June 30, 2005. Previous to July 1, 2005, rates had been reduced by BZ\$0.05 per kWh over a 5-year period, equal to the commitment provided by Fortis when it acquired Belize Electricity in October 1999.

Energy supply costs for the third quarter were \$11.9 million (BZ\$20.0 million) compared to \$10.2 million (BZ\$15.6 million) for the same quarter last year. Year-to-date energy supply costs were \$30.1 million (BZ\$49.4 million) compared to \$28.6 million (BZ\$43.1 million) for the same period last year. The increase in energy supply costs reflects the increase in the COP component of electricity rates, effective July 1, 2005, and electricity sales growth, partially offset by foreign exchange impacts.

Operating expenses for the third quarter were \$2.2 million (BZ\$3.9 million) compared to \$2.4 million (BZ\$3.7 million) for the same quarter last year. Year-to-date operating expenses were \$7.9 million (BZ\$12.9 million) compared to \$8.4 million (BZ\$12.5 million) for the same period last year. Excluding foreign exchange impacts, operating expenses increased due to higher employee costs and general increases in the cost of goods and services.

Amortization costs for the third quarter were \$1.3 million (BZ\$2.3 million) compared to \$1.6 million (BZ\$2.5 million) for the same quarter last year. The decrease was due to foreign exchange impacts in addition to the recovery of all generation equipment depreciation through COP, as a result of the July 1, 2005 final Tariff Decision, partially offset by the impact of capital asset growth. Year-to-date amortization costs were \$4.5 million (BZ\$7.7 million) compared to \$4.9 million (BZ\$7.5 million). Excluding foreign exchange impacts, amortization costs increased due to capital asset growth, partially offset by the recovery of generation depreciation through COP as described above.

Finance charges for the third quarter were \$1.5 million (BZ\$2.5 million) compared to \$1.3 million (BZ\$2.0 million) for the same quarter last year. Year-to-date finance charges were \$4.3 million (BZ\$7.1 million) compared to \$4.2 million (BZ\$6.3 million) for the same period last year. Excluding foreign exchange impacts, finance charges increased due to the higher utilization of overdraft facilities and additional short-term loans to help meet operational needs.

The foreign exchange loss (gain) related to Belize Electricity's Euro-denominated debt. Year to date, the foreign exchange gain increased over the same period last year due to the strengthening of the US dollar relative to the Euro.

Caribbean Utilities

Caribbean Utilities Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2005	2004	2005	2004
Average US:CDN Exchange Rate⁵	1.24	1.27	1.23	1.32
<i>(\$ millions)</i>				
Equity Income	3.0	2.5	8.6	6.6

Fortis accounts for its 36.8 per cent interest in Caribbean Utilities on an equity basis. Equity earnings are recorded on a lag basis and, therefore, the quarterly earnings noted above represent the Corporation's share of Caribbean Utilities' earnings for its first quarters ended July 31, 2005 and July 31, 2004.

Caribbean Utilities and the Cayman Islands are continuing to recover from the impact of Hurricane Ivan which struck Grand Cayman in September 2004. Approximately 7 per cent of the Company's pre-Ivan customers remained without electricity at the end of July 2005. The Company expects electricity sales to achieve 100 per cent of pre-Ivan sales by the end of April 2006. Peak load for the Company's first quarter was 77 MW, approximately 91 per cent of the fiscal 2005 peak of 84 MW. The Company anticipates returning to a total capacity of approximately 120 MW by summer 2006 compared to 123 MW pre-Ivan.

Equity income for the third quarter was \$3.0 million compared to \$2.5 million for the same quarter last year. The increase was primarily due to the combined favourable impact of the continued recovery from Hurricane Ivan including business interruption ("BI") insurance, increased foreign exchange gains and the recording of 2004 year-end audit adjustments in the Corporation's 2004 third quarter results. During its first quarter ended July 31, 2005, Caribbean Utilities recorded a BI insurance claim of US\$2.5 million. The BI claim calculation includes a revenue growth factor of 5.625 per cent with the BI claim being calculated on a contribution margin basis. The Company estimates that its total BI claim for its fiscal 2006 year will be approximately US\$6.4 million and US\$17.3 million for the overall 24-month indemnity period. Typically, the ultimate recovery under a BI policy is judgmental and subject to negotiations between the insured and the insurance company. The BI claim calculation methodology has now been agreed to with the insurance adjustors which is facilitating the monthly calculation of the BI claims. Year-to-date equity income was \$8.6 million compared to \$6.6 million for the same period last year. In addition to the factors described for the quarter, the year-to-date increase was also due to a \$1.1 million positive adjustment related to a change in Caribbean Utilities' accounting practice for recognizing unbilled revenue. While Caribbean Utilities recorded a positive US\$2.5 million (CDN\$3.0 million) retroactive adjustment to its April 30, 2004 retained earnings, Fortis recorded its share, or \$1.1 million, in 2005 second quarter earnings. Year-to-date equity income was also positively impacted by the reduction of Hurricane Ivan loss estimates recorded by Caribbean Utilities in its fourth quarter and the recovery in the first quarter of 2005 of 2004 fuel costs that were expensed following Hurricane Ivan. The increase in third quarter and year-to-date equity income was partially offset by the depreciation of the US dollar relative to the Canadian dollar compared to the same periods last year.

Caribbean Utilities submitted a proposal to the Cayman Islands Government (the "Government") in July 2002 to extend its current License and replace the 15 per cent return on rate base mechanism for adjusting customer rates with a price cap mechanism. The non-binding tentative agreement signed by Caribbean Utilities and the

⁵ Quarterly equity earnings for 2005 and 2004 were translated at the average US:CDN exchange rate during the 3 month periods ended July 31, 2005 and 2004, respectively, as equity earnings are recorded on a lag basis. Year-to-date 2005 and 2004 equity earnings were translated at the average US:CDN exchange rate during the 9 month periods ended July 31, 2005 and 2004, respectively, due to the reason noted above.

Government in June 2004 expired following Hurricane Ivan. The current License is still in effect and is scheduled to expire in January 2011. In May 2005, a new Government was elected in the Cayman Islands. The Company will resume License extension discussions with the new Government in November 2005.

Upon submitting its Final Return to Government on July 21, 2005 for its 2005 fiscal year end, Caribbean Utilities determined that, under its current License, it was permitted a rate increase of 9.5 per cent, effective August 1, 2005, as a result of substantial costs incurred from Hurricane Ivan. The Company determined, without prejudice to its rights under its existing License, that given the post-hurricane economic realities, it would not have been in the best interest of the Cayman Islands and its residents, or in the longer-term interest of the Company, to implement the rate increase as allowed under the License. The Company and the Government agreed on a Cost Recovery Surcharge (“CRS”) of US 0.89 cents per kWh for each kWh of electricity consumed by customers. The CRS represents a 4.7 per cent increase in base electricity rates, less than half of the 9.5 per cent permitted under the License. The CRS became effective for August 2005 billings and will continue for a period of approximately 3 years. It has also been agreed with the Government that there will be a freeze on basic billing rates until July 31, 2008 and no retroactive increases in billing rates is permitted after the CRS has been fully recovered. Caribbean Utilities had direct uninsured hurricane losses of US\$14.0 million. By agreement with Government, Caribbean Utilities will recover US\$13.4 million of the US\$14.0 million uninsured losses through the CRS. In addition, Caribbean Utilities has agreed to absorb US\$3.6 million of indirect costs incidental to the Hurricane which will not be recovered from customer rates. These indirect costs were recorded in Caribbean Utilities’ 2005 fiscal year.

NON-REGULATED – FORTIS GENERATION ⁶

Non-Regulated - Fortis Generation Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
Energy Sales (GWh)	2005	2004	2005	2004
Central Newfoundland	26	29	109	89
Ontario	166	174	526	537
Belize	18	16	32	42
British Columbia ⁶	15	9	31	15
Upper New York State	7	10	40	46
Total	232	238	738	729
	Quarter		Year-to-date	
<i>(\$ millions)</i>	2005	2004	2005	2004
Revenue	21.7	15.5	57.9	49.1
Energy Supply Costs	0.9	1.3	4.6	4.1
Operating Expenses	2.5	4.4	11.7	12.4
Amortization	2.6	2.6	7.8	7.5
Finance Charges	3.5	4.0	11.4	11.6
Gain on settlement of contractual matters	-	-	(10.0)	-
Corporate Taxes	4.4	1.2	10.3	5.2
Non-controlling Interest	-	-	1.1	0.2
Earnings	7.8	2.0	21.0	8.1

Earnings from Non-regulated - Fortis Generation were \$7.8 million, up \$5.8 million from the third quarter last year. The increase in earnings was primarily due to the impact of higher average wholesale energy prices in Ontario. Year-to-date earnings were \$21.0 million compared to \$8.1 million for the same period last year. The increase in earnings was primarily due to a \$7.9 million after-tax gain resulting from the settlement of contractual matters

⁶ Fortis Generation includes the operations of non-regulated generating assets in central Newfoundland, Ontario, British Columbia, Belize and Upper New York State.
The British Columbia energy sales represent energy sales from the 16-MW run-of-river Walden hydroelectric power plant, which was acquired on May 31, 2004 as part of FortisBC.

between FortisOntario and OPGI, higher wholesale energy prices in Ontario and higher production in central Newfoundland, partially offset by lower production in Belize as a result of low rainfall levels.

Generation revenue for the third quarter was \$21.7 million compared to \$15.5 million for the same quarter last year. Generation revenue increased primarily due to higher wholesale energy prices in Ontario. For the third quarter, the average wholesale energy price in Ontario was \$85.91 per megawatt hour (“MWh”) compared to \$46.19 per MWh hour for the same quarter last year. Year-to-date generation revenue was \$57.9 million compared to \$49.1 million for the same period last year. The increase was primarily due to higher wholesale energy prices in Ontario and increased production in central Newfoundland, partially offset by lower hydroelectric production in Belize due to lower rainfall levels.

Operating expenses for the third quarter were \$2.5 million compared to \$4.4 million for the same quarter last year. The decrease related, in part, to a \$1.1 million favorable adjustment to water right fees as a result of confirmation by the Government of Ontario of the continuation of the fixed price upon which these fees are assessed. Operating expenses also decreased due to a \$1.0 million reduction in the allocation of shared service costs to non-regulated Ontario generation operations resulting from a recent internal cost allocation study. Year-to-date operating expenses were \$11.7 million compared to \$12.4 million for the same period last year. The decrease in operating expenses year to date was primarily due to the reallocation of shared service costs.

Finance charges were \$3.5 million compared to \$4.0 million for the same quarter last year. Year-to-date finance charges were \$11.4 million compared to \$11.6 million for the same period last year. The decrease in finance charges was primarily due to the repayment of a \$22.5 million term loan in the second quarter of 2005.

The Chalillo dam in Belize began storing water on July 12, 2005 and the commissioning of the 7-MW hydroelectric plant at the dam commenced mid-September with the generation of its first amount of electricity. This upstream storage and hydroelectric generating facility is expected to double the amount of energy produced from hydroelectricity in the Belizean operations from an average of 80 GWh to approximately 160 GWh.

Operations in Upper New York State include the operations of the Dolgeville unit, which went out of service late January 2005 as a result of flooding. In October 2005, the Dolgeville unit became operational again. A business interruption insurance claim has been initiated, the proceeds from which are expected to mitigate revenue lost during the period of non-operation.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Period Ended September 30th				
<i>(\$ millions)</i>	Quarter		Year-to-date	
	2005	2004	2005	2004
Real Estate Revenue	13.1	12.9	39.7	39.2
Hospitality Revenue	29.2	23.4	76.4	62.0
Total Revenue	42.3	36.3	116.1	101.2
Operating Expenses	26.2	22.5	74.3	65.3
Amortization	2.8	2.4	8.2	7.1
Finance Charges	5.2	4.3	14.8	13.6
Corporate Taxes	3.2	2.8	7.6	6.2
Earnings	4.9	4.3	11.2	9.0

Fortis Properties’ earnings for the third quarter were \$4.9 million compared to \$4.3 million for the same quarter last year. Year-to-date earnings were \$11.2 million compared to \$9.0 million for the same period last year. Higher earnings from operations, including contributions from the 3 hotels acquired in Alberta and Manitoba in February 2005 and the expanded Delta St. John’s Hotel operations, primarily contributed to the increase. The \$15 million expansion to the Delta St. John’s Hotel was completed June 1, 2005, one month ahead of schedule, and resulted in the addition of 128 rooms and approximately 5,000 square feet of meeting space.

Real estate revenue for the third quarter was \$13.1 million compared to \$12.9 million for the same quarter last year. Year-to-date real estate revenue was \$39.7 million compared to \$39.2 million for the same period last year. The occupancy level in the Real Estate Division was 96.0 per cent at September 30, 2005, up from 95.0 per cent at September 30, 2004.

Hospitality revenue for the third quarter was \$29.2 million compared to \$23.4 million for the same quarter last year. Year-to-date hospitality revenue was \$76.4 million compared to \$62.0 million for the same period in 2004. Revenue per available room (“REVPAR”) for the third quarter was \$82.18 compared to \$86.70 for the same quarter last year. The 5.2 per cent decrease in REVPAR was primarily attributable to the addition of the Greenwood hotels in Alberta and Manitoba, which have a lower expected REVPAR than the balance of the hotel portfolio.

The increase in revenue, operating expenses and amortization costs for the quarter and year to date was primarily due to the 3 hotels acquired in February 2005 and the expanded operations of the Delta St. John’s Hotel. Finance charges increased over the same periods primarily due to the additional debt incurred in 2005 to finance the acquisition of the hotels in Alberta and Manitoba.

Fortis Properties has commenced a \$7.0 million expansion of the Holiday Inn Sarnia and a \$7.1 million expansion to the Blue Cross Centre in Moncton, both scheduled for completion in mid-2006. Approximately half of the Blue Cross expansion space is pre-leased. Fortis Properties is also planning an estimated \$2.5 million expansion to the catering and conference facilities at the Holiday Inn Kitchener-Waterloo, which will increase rentable banquet and catering space from 7,800 square feet to 13,300 square feet.

CORPORATE

Corporate Financial Highlights (Unaudited) Period Ended September 30th					
<i>(\$ millions)</i>	Quarter		Year-to-date		
	2005	2004	2005	2004	
Total Revenue	2.9	3.2	8.1	7.6	
Operating Expenses	1.2	2.7	6.5	6.6	
Amortization	0.7	0.5	2.1	0.9	
Finance Charges	5.3	6.1	16.9	12.5	
Foreign Exchange Gain	(3.8)	-	(2.0)	-	
Corporate Taxes	(0.7)	(2.1)	(5.5)	(6.1)	
Preference Share Dividends	4.1	3.8	12.4	8.2	
Non-controlling Interest	-	-	(0.1)	(0.1)	
Net Corporate Expenses	(3.9)	(7.8)	(22.2)	(14.4)	

The Corporate segment captures a number of expense and revenue items not specifically related to any operating segment. Included in the Corporate segment are finance charges related to debt incurred directly by Fortis, including foreign exchange gains or losses, preference share dividends, other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related corporate income taxes.

Net corporate expenses for the third quarter totaled \$3.9 million, a decrease of \$3.9 million from the same quarter last year. The decrease primarily related to an unrealized foreign exchange gain, decreased operating expenses and lower finance charges. Operating expenses decreased primarily due to a reduction of pension costs in the third quarter as a result of assumption changes for 2005. Finance charges were lower due to the repayment in March 2005, with proceeds from the common equity issue, of a portion of the short-term bridge facilities that were used to acquire FortisAlberta and FortisBC, partially offset by the impact of higher interest on the US\$150 million, 10-year 5.74% Senior Unsecured Notes that replaced the remainder of the short-term bridge facilities. Year-to-date net corporate expenses totaled \$22.2 million, \$7.8 million higher compared to the same period last year. The increase primarily related to higher financing charges, including amortization of deferred acquisition financing costs and increased preference share dividends, partially offset by a net unrealized foreign exchange gain. The increased financing charges related to the purchase of FortisAlberta and FortisBC on May 31, 2004. On January 29, 2004, Fortis issued 4.9% First Preference Units which were subsequently converted to 4.9% Series E First Preference Shares in the last half of 2004. Fortis recorded an unrealized foreign exchange gain of \$3.8 million

(\$3.1 million after-tax) and \$2.0 million (\$1.7 million after-tax) for the third quarter and year-to-date, respectively, related to foreign currency exchange rate fluctuations associated with unhedged US dollar-denominated Corporate long-term debt. Year-to-date operating expenses were comparable to the same period last year as decreased pension costs were offset by an increase in professional fees, salaries expense and certain non-recurring acquisition expenses.

Year-to-date net corporate expenses for 2004 were also positively impacted as Fortis recorded a \$1.8 million corporate income tax recovery related to the tax benefit associated with non-capital losses.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between September 30, 2005 and December 31, 2004.

Balance Sheet Item	Increase (Decrease) <i>(Millions)</i>	Explanation
Cash and cash equivalents	(18.6)	The decrease primarily related to the repayment of the \$22.5 million term loan by FortisOntario-Generation and timing of working capital receipts and payments across the Corporation's subsidiaries. These decreases were partially offset by the \$10 million (pre-tax) OPGI settlement and the refund of the corporate tax deposit at Newfoundland Power.
Accounts receivable	14.2	The increase primarily related to timing of refunds to customers in 2004 at FortisAlberta and normal seasonal sales variances across the subsidiaries.
Goodwill	(1.4)	Goodwill was reduced by \$2.6 million upon the recognition of a future tax asset as a result of a favourable CRA reassessment at Cornwall Electric. This decrease was partially offset by \$1.2 million of goodwill created upon the acquisition of PLP on May 31, 2005.
Future income tax assets (long-term)	44.6	The increase primarily related to the recognition of future income taxes as a result of the change in the regulatory tax methodology at FortisAlberta.
Utility capital assets	149.8	The increase related to \$290.8 million invested in electricity systems less contributions and amortization for the 9-month period.
Income producing properties	68.9	On February 1, 2005, Fortis Properties acquired 3 hotels in Alberta and Manitoba for \$62.6 million. The remaining increase primarily related to the expansions to the Delta St. John's Hotel, the Holiday Inn in Sarnia and the Blue Cross Centre in Moncton.
Short-term borrowings	(137.9)	The decrease primarily related to the repayment of short-term borrowings at the Corporate level with proceeds from the common share issue, repayment of short-term facilities at Newfoundland Power with the proceeds from a \$60 million bond issue, and repayments at Fortis Properties and FortisBC, partially offset by higher short-term borrowings at Maritime Electric primarily to fund its utility capital expenditure program.
Other regulatory liabilities	28.5	The increase primarily consisted of a regulatory liability associated with the future income tax asset increase at FortisAlberta, partially offset by a decrease of regulatory liabilities relating to prior periods and a decrease in deferrals relating to Alberta Electrical System Operator contributions, distribution riders and interchange and transmission costs.

Balance Sheet Item	Increase (Decrease) <i>(Millions)</i>	Explanation
Long-term debt (including current portion)	142.4	<p>In March 2005, Fortis Properties completed a 5-year 5.1% \$29.6 million financing of the Edmonton and Calgary Greenwood Inns, acquired February 2005. In April 2005, Fortis Properties completed a 5-year 5.35% \$12.3 million financing of the Winnipeg Greenwood Inn, also acquired February 2005.</p> <p>FortisBC and FortisAlberta drew down \$70.0 million and \$20.9 million, respectively, under long-term committed facilities associated with the interim financing of each subsidiary's respective capital program. These borrowing facilities have a 3-year term and will mature in May 2008. These borrowings will likely be replaced with long-term permanent financing in future periods.</p> <p>In August 2005, Newfoundland Power closed a private placement of \$60 million bonds. The net proceeds from the private placement were used to repay short-term indebtedness and for general corporate purposes.</p> <p>Belize Electricity and the Exploits River Hydro Partnership also drew down approximately \$1.4 million and \$0.1 million, respectively, on their existing facilities.</p> <p>Also contributing to the increase was \$4.0 million in debt assumed on the acquisition of PLP on May 31, 2005.</p> <p>These increases were partially offset by the impact of the translation of the Corporation's US-denominated debt at a lower foreign exchange rate at September 30, 2005 compared to December 31, 2004 and regular debt repayments during the 9-month period. Additionally, during the second quarter, FortisOntario-Generation repaid its \$22.5 million term loan due in 2007.</p>
Shareholders' equity	204.4	<p>The increase primarily related to the issuance of 6.96 million common shares of the Corporation (adjusted for stock split) in the first quarter which resulted in gross proceeds of approximately \$130 million. The remainder of the increase primarily related to the net earnings reported for the 9-month period less common share dividends.</p>

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flow.

Fortis Inc.				
Summary of Cash Flow (Unaudited)				
Period Ended September 30th				
	Quarter		Year-to-date	
<i>(\$ thousands)</i>	2005	2004	2005	2004
Cash, beginning of period	26,847	51,112	37,203	65,094
Cash provided by (used in)				
Operating activities	99,806	110,611	229,030	180,675
Investing activities	(96,432)	(56,192)	(343,315)	(884,976)
Financing activities	(11,329)	(63,950)	95,882	679,767
Foreign currency impact on cash balances	(270)	(1,530)	(178)	(509)
Cash, end of period	18,622	40,051	18,622	40,051

Operating Activities: Cash flow from operations, after working capital adjustments, was \$99.8 million for the third quarter, down \$10.8 million from \$110.6 million for the same quarter last year. The decrease primarily related to the impact of working capital adjustments. During the quarter, FortisBC's cash flow from operations was negatively impacted by the timing of payments of accounts payable. This was compounded by the impact of the refund of funds on deposit at FortisAlberta in the same period last year. These decreases in working capital quarter over quarter were partially offset by positive working capital adjustments at Newfoundland Power and Maritime Electric related to the refund of the corporate income tax deposit and recovery of previously deferred power costs from customers, respectively.

Year-to-date cash flow from operations, after working capital adjustments, was \$229.0 million, up \$48.3 million from \$180.7 million for the same period last year. Cash flow from operations, before working capital adjustments, was positively impacted by approximately \$76.0 million due to FortisAlberta and FortisBC contributing 9 months of operations in 2005 compared to 4 months of post-acquisition operations for the same period last year. However, year-to-date working capital adjustments at both FortisAlberta and FortisBC compared to the same period last year partially offset this increase, resulting in a net positive impact of approximately \$14.1 million on cash flow from operations after working capital adjustments. Year-to-date operating cash flows also increased primarily due to the gain on the OPGI settlement, the refund of the corporate income tax deposit at Newfoundland Power, favourable working capital changes at Maritime Electric and Fortis Properties, the impact of increased wholesale energy prices in Ontario and higher hydroelectric production in central Newfoundland. These increases were partially offset by the impact of the timing of purchase power payments and recovery of fuel costs at Belize Electricity, reduced hydroelectric production resulting from lower rainfall in Belize, and the impact of higher corporate finance charges associated with the acquisition of FortisAlberta and FortisBC.

Investing Activities: Cash used in investing activities was \$96.4 million, up \$40.2 million from the third quarter last year. The increase was primarily due to an increase in utility capital expenditures. Year-to-date cash used in investing activities was \$343.3 million, down \$541.7 million from the same period last year. The decrease was primarily due to a decrease in cash used in business acquisitions, partially offset by increased utility and income producing capital expenditures.

Utility capital expenditures were \$101.7 million compared to \$65.9 million for the same quarter last year. Year-to-date utility capital expenditures were \$290.8 million compared to \$137.9 million for the same period last year. The increase in utility capital expenditures was primarily related to capital spending at FortisAlberta and FortisBC. In addition, Maritime Electric is currently constructing a new \$35 million 50-MW generating facility on Prince Edward Island and construction was substantially completed on the Chalillo Project in Belize in the second quarter of 2005.

Capital expenditures associated with income producing properties were \$2.3 million compared to \$4.0 million for the same quarter last year. Capital expenditures during the third quarter of 2005 primarily related to the expansion of the Holiday Inn Sarnia and the Blue Cross Centre in Moncton. Year-to-date capital expenditures were \$76.5 million compared to \$11.2 million for the same period last year. The increase primarily related to the acquisition of 3 hotels in Alberta and Manitoba for \$62.6 million in February 2005 and the completion of the \$15 million expansion to the Delta St. John's Hotel in June 2005.

During the third quarter, approximately \$9.5 million was received from contributions in aid of construction compared to \$9.0 million for the same quarter last year. Year-to-date contributions in aid of construction were \$32.2 million compared to \$10.8 million for the same period last year. The increase primarily related to contributions associated with capital programs of FortisAlberta and FortisBC.

Financing Activities: Cash used in financing activities in the third quarter was \$11.3 million compared to \$64.0 million for the third quarter last year. Cash used in financing activities for the quarter related primarily to the payment of common share dividends partially offset by net borrowings under long-debt facilities. During the quarter, Newfoundland Power closed a private placement of \$60 million, 5.441% First Mortgage Sinking Fund Bonds, due August 15, 2035. The net proceeds from the private placement were used to repay short-term indebtedness and for general corporate purposes. Cash used in financing activities for the same quarter in 2004 related primarily to repayment of the acquisition facility used to finance the acquisition of FortisAlberta and FortisBC and payment of dividends on common shares, partially offset by new long-term debt at Fortis Properties to finance the Four Points by Sheraton Halifax and proceeds from the issue of preference shares.

Year-to-date cash provided from financing activities was \$95.9 million compared to \$679.8 million for the same period last year. The decrease compared to the same period in 2004 related primarily to financing of the acquisition of FortisAlberta and FortisBC in 2004. Cash provided from financing activities for the first 9 months of 2005 related primarily to proceeds from the issuance of 6.96 million common shares (adjusted for stock split) net of payment of common share dividends. The cash from financing activities for the first 9 months of 2004 primarily related to the financing of the acquisition of FortisAlberta and FortisBC, net of repayment and advances of non-business acquisition related long-term debt and payment of common share dividends.

During the third quarter, FortisBC and FortisAlberta drew down \$25.2 million and \$10.9 million, respectively, under long-term committed facilities, with \$70.0 million and \$20.9 million, respectively, drawn year to date, associated with the interim financing of each subsidiary's respective capital program. These borrowing facilities have 3-year terms and mature in May 2008. These borrowings will likely be replaced with long-term permanent financing in future periods.

Belize Electricity drew down approximately \$0.3 million on its existing facilities, with \$1.4 million drawn year to date. In April 2005, Fortis Properties completed a 5-year 5.35% \$12.3 million loan related to the February 1, 2005 acquisition of the Winnipeg Greenwood Inn. This loan was in addition to the 5-year 5.1% \$29.6 million loan related to the financing of the Edmonton and Calgary Greenwood Inns completed in the first quarter. FortisOntario-Generation also repaid its \$22.5 million term loan in the second quarter.

In addition to the proceeds from long-term debt and repayments of short-term borrowings discussed above, year-to-date cash provided from financing activities included the issuance of 6.96 million common shares (adjusted for stock split) of the Corporation, which resulted in net proceeds of \$123.9 million. The remaining financing activities primarily related to changes in other short-term borrowings and regular repayment of long-term debt and payment of common share dividends.

Contractual Obligations: The consolidated contractual obligations over the next 5 years and for periods thereafter are outlined in the following table.

Fortis Inc.					
Contractual Obligations (Unaudited)					
as at September 30th, 2005					
<i>(\$ millions)</i>	Total	< 1 year	1-3 years	4-5 years	> 5 years
Long-term Debt	2,052.8	29.7	181.2	126.7	1,715.2
Capital Lease Obligations	4.3	1.4	2.2	0.7	-
Power Purchase Obligations					
FortisBC ⁽¹⁾	3,049.2	31.6	66.6	69.9	2,881.1
FortisOntario ⁽²⁾	349.9	21.7	64.1	46.3	217.8
Maritime Electric ⁽³⁾	7.0	6.6	0.4	-	-
Capital Cost ⁽⁴⁾	202.1	15.8	42.8	22.0	121.5
Brilliant Terminal Station ("BTS") ⁽⁵⁾	66.2	2.3	4.7	4.7	54.5
Joint-use Asset and Shared Service Agreements ⁽⁶⁾	63.8	3.7	7.5	7.2	45.4
Operating Lease Obligations ⁽⁷⁾	24.7	5.2	10.7	7.8	1.0
Office Lease – FortisBC ⁽⁸⁾	22.5	0.9	1.8	2.7	17.1
Other	1.6	0.3	0.1	0.1	1.1
Total	5,844.1	119.2	382.1	288.1	5,054.7

(1) Power purchase obligations of FortisBC include the Brilliant Power Purchase Contract as well as Firm Power Purchase Contracts. On May 3, 1996, an Order was granted by the BCUC approving a 60-year power purchase contract for the output of the Brilliant hydroelectric plant located near Castlegar, BC. The Brilliant plant is owned by the Brilliant Power Corporation ("BPC"), a corporation owned as to 50 per cent by each of the Columbia Power Corporation and the Columbia Basin Trust. FortisBC operates and maintains the Brilliant plant for the BPC in return for a management fee. The contract requires fixed monthly payments based on specified natural flow take-or-pay amounts of energy. The contract includes a market-related price adjustment after 30 years of the 60-year term. In addition, FortisBC has a long-term minimum-payment firm power purchase contract with BC Hydro. This contract includes a take-or-pay provision based on a 5-year rolling nomination of capacity requirements.

(2) Power purchases for FortisOntario primarily include a long-term contract with Hydro Quebec Energy Marketing for the supply of electricity and capacity. The contract provides approximately 237 GWh of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one-third of Cornwall Electric's load.

(3) Maritime Electric has one take-or-pay contract for the purchase of either capacity or energy. The obligation is subjected to force majeure provisions that impact the ability of the supplier to deliver or Maritime Electric to receive the energy contracted. This contract totals approximately \$20 million through October 2006.

(4) Maritime Electric has entitlement to approximately 6.7 per cent of the output from the NB Power Dalhousie Generating Station and approximately 4.7 per cent from the NB Power Point Lepreau Generating Station for the life of each unit. As part of its participation agreement, Maritime Electric is required to pay its share of the capital costs of these units.

(5) On July 15, 2003, the utility in B.C. began leasing the use of the BTS under a 30-year lease. The lease provides that FortisBC will pay the Brilliant Joint Venture a charge related to the recovery of the capital cost of the BTS and related operating costs.

(6) FortisAlberta and an Alberta transmission service provider have entered into an agreement in consideration for joint attachments of distribution facilities to the transmission system. The expiry terms of this agreement state that the agreement remains in effect until the Company no longer has attachments to the transmission facilities. Due to the unlimited term of this contract the calculation of future payments after 5 years includes payments to the end of 20 years. However, the payments under this agreement may continue for an indefinite period of time. FortisAlberta and an Alberta transmission service provider have also entered into a number of service agreements to ensure operational efficiencies are maintained through coordinated operations. The service agreements have minimum expiry terms of five years from September 1, 2005, and are subject to extension based on mutually agreeable terms.

(7) Operating lease obligations include certain office, vehicle, and equipment leases as well as the lease of electricity distribution assets of Port Colborne Hydro Inc.

(8) Under a sale-leaseback agreement, on September 29, 1993, the utility in B.C. began leasing its Trail, BC office building for a term of 30 years. The terms of the agreement grant FortisBC repurchase options at year 20 and year 30 of the lease term. On December 1, 2004, FortisBC also entered into a 5-year lease for the Kelowna head office. The terms of the lease allow for termination without penalty after 3 years.

CAPITAL RESOURCES

The Corporation's principal business of regulated electric utilities requires Fortis to have ongoing access to capital to allow it to build and maintain the electricity systems in its service territories. In order to ensure access to capital is maintained, the Corporation targets a long-term capital structure that includes a minimum of 40 per cent equity and 60 per cent debt as well as investment grade credit ratings. The Corporation targets the equity component of its capital structure to consist of at least 75 per cent common share equity. The capital structure of Fortis is presented in the following table.

Capital Structure	September 30, 2005		December 31, 2004	
	(\$ millions)	(%)	(\$ millions)	(%)
Total Debt (net of cash)	2,093.4	57.9	2,070.3	61.1
Equity Preference Shares	319.5	8.8	319.5	9.4
Shareholders' Equity	1,204.5	33.3	1,000.1	29.5
Total	3,617.4	100.0	3,389.9	100.0

The improvement in the Corporation's capital structure is primarily the result of the issuance of 6.96 million common shares of the Corporation (adjusted for stock split) for net after-tax proceeds of \$126.1 million. The proceeds were used to repay outstanding short-term indebtedness and for general corporate purposes, including capital expenditures. The Corporation also reported net earnings less common share dividends of \$69.0 million for the first 9 months of 2005.

As at September 30, 2005, the Corporation's credit ratings were as follows:

Standard & Poors ("S&P")	BBB(+)
Dominion Bond Rating Service ("DBRS")	BBB(high)

In December 2004, S&P confirmed its corporate credit rating on the Corporation at BBB(+). S&P is maintaining a negative outlook on Fortis reflecting the Corporation's financial profile combined with execution risks associated with a large capital expenditure program. In January 2005, DBRS confirmed the rating on the Corporation's bonds at BBB(high). Fortis will continue to update both S&P and DBRS on the progress of the integration of FortisAlberta and FortisBC.

Capital Program: The Corporation's principal business of regulated electric utilities is capital intensive. Fortis expects to invest over \$400 million in its 2005 consolidated utility capital expenditure program of which \$290.8 million has been invested year to date.

The Corporation's utility capital assets are expected to grow at an average annual rate of approximately 6 per cent for the next 5 years. The significant capital programs at FortisAlberta and FortisBC are the primary drivers for this expected growth. The cash needed to complete the capital programs is expected to be supplied by a combination of long-term and short-term borrowings, internally generated funds and common share issuances from existing consumer and employee share purchase plans and dividend reinvestment plans. Fortis does not anticipate any difficulties with accessing the required capital.

Cash Flows: The Corporation's ability to service debt obligations as well as dividends on its common and preference shares is dependent on the financial results of the operating subsidiaries and the related cash payments from these subsidiaries. Certain regulated subsidiaries may be subject to restrictions which may limit their ability to distribute cash to Fortis.

As outlined in Note 9 to the Fortis Inc. consolidated audited financial statements for the year ended December 31, 2004, Belize Electricity remains non-compliant with its debt service coverage ratio related to its BZ\$10.6 million loan with the International Bank for Reconstruction and Development ("IBRD"). The IBRD has acknowledged this non-compliance and has encouraged the Company to continue to improve its debt service ratio. Fortis does not expect any change in the regular debt repayment schedule relating to this loan.

The Walden Power Partnership ("WPP") was not in compliance with its debt service ratio of 1.2 times as required by the loan covenant related to a \$6.5 million mortgage. Compliance with the debt service covenant is required at the end of each fiscal year. A waiver was obtained in December 2004. Fortis does not expect any change in the regular debt repayment schedule relating to this mortgage.

The Corporation and its subsidiaries had consolidated authorized lines of credit of \$748.8 million of which \$531.1 million was unused at September 30, 2005. The following summary outlines the Corporation's credit facilities by reporting segments.

Credit Facilities (\$ millions)	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	Total
Total credit facilities	210.0	518.5	7.8	12.5	748.8
Utilized at September 30, 2005	(3.0)	(139.2)	(3.7)	-	(145.9)
Letters of credit outstanding	(4.6)	(64.6)	-	(2.6)	(71.8)
Credit facilities available	202.4	314.7	4.1	9.9	531.1

Certain borrowings under the Corporation's credit facilities have been classified as long-term debt. These borrowings are under long-term credit facilities and Management's intention is to refinance these borrowings with long-term permanent financing during future periods. The following summary outlines the balance sheet classification of the Corporation's utilized credit facilities by reporting segments as at September 30, 2005.

Credit Facilities <i>(\$ millions)</i>	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	Total
Short-term borrowings	3.0	48.3	3.7	-	55.0
Long-term debt	-	90.9	-	-	90.9
Total credit facilities utilized	3.0	139.2	3.7	-	145.9

In January 2005, Fortis entered into a \$50 million unsecured revolving/non-revolving term credit facility for its general corporate purposes, including acquisitions. Fortis also entered into a \$15 million demand facility.

In January 2005, Newfoundland Power cancelled its \$110 million uncommitted lines of credit and entered into a syndicated \$100 million committed revolving term credit facility and a \$20 million uncommitted demand facility.

In January 2005, Maritime Electric entered into a \$25 million non-revolving unsecured short-term bridge financing, due January 2006, to support the construction of the 50-MW generating facility.

In May 2005, Fortis renegotiated its \$145 million unsecured revolving/non-revolving term credit facility to a \$145 million unsecured revolving term credit facility that matures in May 2008. This facility can be used for general corporate purposes, including acquisitions.

In May 2005, FortisAlberta renegotiated its \$100 million unsecured revolving/non-revolving term credit facility to a \$150 million unsecured revolving term credit facility that matures in May 2008.

In May 2005, FortisBC renegotiated its \$100 million unsecured revolving/non-revolving term credit facility to a \$100 million unsecured revolving term credit facility that matures in May 2008. Additionally, in May 2005 FortisBC entered into a \$50 million unsecured revolving/non-revolving credit facility.

In September 2005, PLP entered into \$5.4 million of credit facilities consisting of a \$0.7 million revolving demand operating line and a \$4.7 million non-revolving demand installment loan.

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure is required of the Corporation of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources. The Corporation had no such off-balance sheet arrangements as at September 30, 2005.

ACCOUNTING FOR RATE-REGULATED OPERATIONS

The Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants is reviewing Canadian GAAP applicable to enterprises with rate-regulated operations. Potential future changes in this area could have a material impact on the Corporation’s financial statements. The AcSB has released Accounting Guideline 19 (“AcG-19”) on disclosures by entities subject to rate regulation as an interim measure pending completion of the full project. AcG-19 is effective for the Corporation’s reporting for the year ended December 31, 2005. Fortis is currently reviewing the impact of AcG-19 on its disclosure requirements.

RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions primarily relate to the sale of energy from Belize Electric Company Limited to Belize Electricity and finance charges on inter-company borrowings.

BUSINESS RISK MANAGEMENT

The Corporation’s significant business risks are regulation, the integration of FortisAlberta and FortisBC, use of derivative instruments and hedging, energy prices, weather and general economic conditions, loss of service territory, environmental, insurance, labour relations and liquidity risks. The geographic and regulatory diversity of the Corporation’s operations mitigate the significance of any single business risk. There were no material changes to the Corporation’s significant business risks year to date September 30, 2005 from those disclosed in the 2004 Management Discussion and Analysis for the year ended December 31, 2004, except that regulation risk for 2005 has been reduced due to recent regulatory decisions and negotiations at FortisAlberta, FortisBC, Maritime Electric, Belize Electricity and Caribbean Utilities. The risk associated with the integration of FortisAlberta and FortisBC has also lessened with the separation of operations at the 2 companies nearing completion.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation’s unaudited interim consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates. Interim financial statements may employ a greater use of estimates than the annual financial statements. There were no material changes to the Corporation’s critical accounting estimates year to date September 30, 2005 from those disclosed in the 2004 Management Discussion and Analysis for the year ended December 31, 2004 except as discussed below.

Contingencies: Fortis is a party to a number of disputes and lawsuits in the normal course of business. Contingent liabilities as of September 30, 2005 are consistent with disclosures in the 2004 Fortis Inc. Annual Consolidated Financial Statements except as noted below.

In 2002, CRA confirmed a 2000 reassessment related to the Newfoundland Power’s 1993 taxation year, which included in income the value of electricity consumed in December 1993 but not billed until January 1994. Newfoundland Power’s practice has been to record revenue on a billed basis. This method has been audited and accepted previously by CRA and is in accordance with regulatory requirements.

During the second quarter of 2005, Newfoundland Power entered into an agreement with CRA that provides for the full settlement of this issue on a prospective basis. Under the terms of the settlement, CRA will cancel all outstanding reassessments related to the Company's revenue recognition policy in past years and refund the Company's deposit along with interest. The provisions of the Income Tax Act required the Company to deposit approximately \$6.9 million with CRA, representing one half of the amount under appeal. At September 30, 2005, this deposit has been received in full with additional amounts representing accrued interest thereon.

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR sought damages of approximately \$83 million for alleged breaches of certain agreements between it and FortisAlberta, distribution tariff terms and conditions and fiduciary duty, as well as for negligence. On August 8, 2005 FortisAlberta announced that an agreement was reached with EPCOR to settle all aspects of the statement of claim filed on August 18, 2003. All amounts related to the settlement were reflected in the Corporation's second quarter results as the Corporation had adequate provisions in its financial statements to offset the impact of the settlement. On October 3, 2005, FortisAlberta signed an agreement with Aquila, Inc. and its insurers, which partitioned an insurance policy intended to cover legal expenses incurred to defend a lawsuit, as well as any amounts rendered against FortisAlberta by way of a legal ruling, or agreed to in a settlement. The proceeds receivable under this policy have partially offset the settlement of the EPCOR litigation and were reflected in the third quarter results. All aspects of the EPCOR settlement and the terms of the insurance agreement are confidential.

FortisBC has received correspondence and met with the B.C. Ministry of Forests (the "Ministry") to discuss the possibility of an invoice being issued to the Company related to fire suppression costs associated with certain forest fires in FortisBC's service territory in 2003. The Ministry has alleged breaches of the Forest Practices Code and negligence and has filed, but not served, a writ and statement of claim against FortisBC. FortisBC is currently communicating with the Ministry and its insurers. In addition, FortisBC has become aware of two writs and statements of claim filed, but not served by, private land owners in relation to the same matter.

In May 2003, Cornwall Electric received a CRA reassessment disallowing amounts claimed as capital cost allowance ("CCA") in respect of a Class 14 asset of Cornwall Electric. This Class 14 asset was created upon acquisition of Cornwall Electric by a previous owner. As a result, CCA deductions totaling \$2.1 million claimed during the 1998 to 2001 taxation years were disallowed. The opening undepreciated capital cost of the Class 14 asset, including valuation allowance, was valued at approximately \$1.4 million on Cornwall Electric's balance sheet. Cornwall Electric had filed a Notice of Objection with the CRA.

During the third quarter of 2005, Cornwall Electric obtained a favourable resolution of the CRA reassessment. The impact of this resolution resulted in the recognition in FortisOntario of a future tax asset of \$4.2 million, a \$2.6 million reduction of goodwill and a \$1.6 million reduction of future income tax expense in the third quarter.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the 8 quarters ended December 31, 2003 through September 30, 2005. All earnings per share data have been adjusted to reflect the increased number of shares as a result of the 4-for-1 stock split completed in October 2005. The quarterly information has been obtained from the Corporation's unaudited interim consolidated financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Fortis Inc.				
Summary of Quarterly Results (Unaudited)				
Quarter Ended	Operating Revenue and Equity Income (\$000's)	Net Earnings applicable to Common Shares (\$000's)	Earnings per Common Share Basic (\$)	Earnings per Common Share Diluted (\$)
September 30, 2005	341,650	37,450	0.36	0.33
June 30, 2005	364,948	38,188	0.37	0.34
March 31, 2005	381,789	39,196	0.40	0.36
December 31, 2004	337,170	21,176	0.22	0.21
September 30, 2004	303,653	25,452	0.27	0.25
June 30, 2004	254,513	23,946	0.30	0.29
March 31, 2004	250,793	20,281	0.29	0.28
December 31, 2003	210,624	14,760	0.21	0.20

A summary of the past 8 quarters reflects the Corporation's continued growth as well as the seasonality associated with its businesses. From June 2004, financial results were impacted by the acquisition of FortisAlberta and FortisBC. The Corporation's non-utility investment, Fortis Properties, generally produces its highest earnings in the second and third quarters. Given the diversified group of companies, seasonality may vary. Each of the comparative quarterly earnings has increased as a result of both the Corporation's acquisition strategy as well as improved operating earnings at most subsidiaries.

September 2005/September 2004 – Net earnings applicable to common shares for the third quarter were \$37.4 million, or \$0.36 per common share, compared to \$25.5 million, or \$0.27 per common share, for the same quarter last year. Earnings for the third quarter were \$11.9 million higher than for the same quarter last year primarily due to higher average wholesale energy prices in Ontario, a \$3.1 million, net of tax, unrealized foreign exchange gain associated with the translation of US\$60 million of unhedged corporate long-term debt and increased earnings at Belize Electricity, Caribbean Utilities and Fortis Properties. Earnings from the regulated Canadian utilities were comparable quarter over quarter. The net impact of several adjustments at FortisAlberta, FortisBC and FortisOntario and higher earnings at Maritime Electric helped offset lower quarterly earnings at Newfoundland Power related to the new purchase power rate structure and higher finance charges at the utilities in western Canada. Growth in earnings per common share quarter over quarter was partially offset by the dilution created by the common shares issued in March 2005.

June 2005/June 2004 – Net earnings applicable to common shares for the second quarter were \$38.2 million, or \$0.37 per common share, compared to \$23.9 million, or \$0.30 per common share, for the second quarter of 2004. Second quarter results include 3 months of earnings from FortisAlberta and FortisBC compared to 1 month for the second quarter of 2004. Results this quarter included a \$7.0 million positive net after-tax adjustment to FortisAlberta's earnings, associated with the resolution of tax-related matters resulting in the reduction of liabilities associated with prior periods, partially offset by amounts provided for the final settlement of billings related to prior years. Results also included approximately \$1.4 million in after-tax interest revenue from a tax settlement at Newfoundland Power and a \$1.1 million positive adjustment to Caribbean Utilities' earnings related to a change in the accounting practice for recognizing unbilled revenue. Fortis Properties' earnings were also \$1.1 million higher quarter over quarter. The increase in earnings for the second quarter was partly constrained by a \$1.0 million after-tax unrealized foreign exchange loss associated with the translation of US\$75 million of unhedged corporate debt. Growth in earnings per common share quarter over quarter was partially offset by the dilution created by the common shares issued in March 2005.

March 2005/March 2004 – Net earnings applicable to common shares for the first quarter were \$39.2 million, or \$0.40 per common share, compared to \$20.3 million, or \$0.29 per common share, for the first quarter of 2004. In the first quarter, Fortis reported a \$7.9 million after-tax gain resulting from the settlement between FortisOntario and OPGI.

The Corporation's earnings, excluding the impact of the OPGI settlement, although not a measure under Canadian GAAP, would have been \$31.3 million in the first quarter, or \$0.32 per common share, 10.3 per cent higher than earnings per common share of \$0.29 for the first quarter last year. Although the Corporation believes that it is useful

supplemental information, readers should be cautioned that this information should not be confused with or used as an alternative for net earnings determined in accordance with Canadian GAAP.

The earnings contributions from the acquisition of FortisAlberta and FortisBC, as well as timing of recognition of earnings at Newfoundland Power, primarily contributed to this increase. Fortis also reported \$0.7 million in earnings related to the recovery of hurricane-related expenses, associated with damages to Caribbean Utilities in Grand Cayman from Hurricane Ivan. Fortis Properties also reported improved earnings over the same quarter last year. The increase in earnings per common share was constrained by lower hydroelectric production in Belize and the dilution created by the common shares issued in March 2005.

December 2004/December 2003 – For the quarter ended December 2004, net earnings applicable to common shares were 43.5 per cent higher than for the same quarter in 2003. Earnings per common share increased 4.7 per cent over the same quarter in 2003. The increase in earnings was primarily associated with the acquisition of FortisAlberta and FortisBC, as well as improved operating income at most subsidiaries. The increase in quarterly earnings was affected by Hurricane Ivan. In September 2004, Grand Cayman was struck by Hurricane Ivan, a Category V hurricane that significantly affected Caribbean Utilities' distribution system. Equity earnings of Caribbean Utilities are recorded on a lag basis and, therefore, the Corporation's portion of the uninsured hurricane-related costs, which approximated \$8.2 million, reduced the Corporation's equity earnings from Caribbean Utilities for the fourth quarter of 2004.

The Corporation's fourth quarter earnings in 2004, excluding the impact of Hurricane Ivan, although not a measure under Canadian GAAP, would have been \$29.4 million, \$8.2 million higher than actual fourth quarter earnings of \$21.2 million, or \$0.31 per common share, 47.6 per cent higher than earnings per common share of \$0.21 for the fourth quarter last year. Readers should be cautioned, however, that this information should not be confused with or used as an alternative for net earnings determined in accordance with Canadian GAAP.

SUBSEQUENT EVENT

On October 27, 2005, FortisBC entered into an agreement with Scotia Capital Inc., on behalf of a syndicate of underwriters, for the issuance of \$100.0 million 30-year 5.6% Senior Unsecured Debentures maturing November 9, 2035. FortisBC will file a preliminary short form prospectus in all Canadian provinces in connection with this debenture offering. The offering is subject to customary securities regulatory approvals and closing conditions and is expected to close on or about November 10, 2005. The net proceeds from the offering are planned to be used to repay certain existing indebtedness under FortisBC's credit facilities, which was incurred primarily to fund capital expenditures. Any proceeds remaining thereafter will be used for capital expenditures and other corporate purposes.

OUTLOOK

The Corporation's principal business of regulated electric utilities is capital intensive and Fortis expects that most of its capital expenditures for the next 5 years will relate primarily to FortisAlberta and FortisBC. Fortis expects to invest over \$400 million in its 2005 consolidated capital utility expenditure program.

Fortis also expects to focus its capital on funding further acquisitions of electric utility assets. Fortis will continue to pursue acquisition opportunities both in Canada and outside of Canada. Fortis will also pursue growth in its non-regulated businesses including hydroelectric generation, hotels and real estate.

OUTSTANDING SHARE DATA

On September 28, 2005, the Board of Directors of Fortis declared a stock dividend effecting a 4-for-1 stock split of the Corporation's outstanding common shares. The stock dividend was paid on October 21, 2005 to shareholders of record on October 14, 2005. Concurrently, Fortis declared a 12.3 per cent increase in the quarterly common share cash dividend to 16 cents per common share (equivalent to 64 cents on a pre-split basis) from 14.25 cents per common share (equivalent to 57 cents on a pre-split basis), commencing with the fourth quarter dividend payable on December 1, 2005 to shareholders of record on November 4, 2005.

At October 31, 2005, the Corporation had issued and outstanding 103,070,980 common shares, 5,000,000 Series C First Preference Shares and 7,993,500 Series E First Preference Shares. All outstanding Series D First Preference Shares were redeemed, without premium, on September 20, 2005 at \$6.25 per share.

FORTIS INC.

Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2005 and 2004
(Unaudited)

Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at
(in thousands)

	September 30 2005	December 31 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 18,622	\$ 37,203
Accounts receivable	183,885	169,649
Other regulatory assets	16,898	15,245
Materials and supplies	28,805	30,235
Future income taxes	-	4,204
	248,210	256,536
Corporate income tax deposit (Note 13)	-	6,949
Deferred charges	153,180	152,320
Other regulatory assets	49,220	45,309
Future income taxes (Note 8)	58,274	13,661
Utility capital assets	2,496,864	2,347,067
Income producing properties	409,986	341,069
Investments	166,158	163,769
Intangibles, net of amortization	15,692	18,455
Goodwill	512,647	514,041
	\$ 4,110,231	\$ 3,859,176
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 12)	\$ 54,963	\$ 192,858
Accounts payable and accrued charges	277,784	270,055
Dividends payable	17,874	14,997
Other regulatory liabilities	2,885	23,657
Current installments of long-term debt	31,066	36,062
Future income taxes	1,142	-
	385,714	537,629
Deferred credits	34,180	29,828
Other regulatory liabilities (Note 8)	56,763	7,519
Future income taxes	45,688	48,432
Long-term debt (Note 12)	2,026,027	1,878,639
Non-controlling interest	37,863	37,487
Equity preference shares (Note 4)	319,492	319,530
	2,905,727	2,859,064
Shareholders' equity		
Common shares (Note 5)	810,156	675,215
Contributed surplus	3,008	1,831
Equity portion of convertible debentures	1,499	1,550
Foreign currency translation adjustment	(16,179)	(15,497)
Retained earnings	406,020	337,013
	1,204,504	1,000,112
	\$ 4,110,231	\$ 3,859,176

See accompanying notes to the interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the periods ended September 30
(in thousands, except per share amounts)

	Quarter Ended		Nine Months Ended	
	2005	2004	2005	2004
Operating revenues	\$ 338,610	\$ 301,112	\$ 1,079,775	\$ 802,329
Equity income	<u>3,040</u>	<u>2,541</u>	<u>8,612</u>	<u>6,630</u>
	<u>341,650</u>	<u>303,653</u>	<u>1,088,387</u>	<u>808,959</u>
Expenses				
Operating	212,018	193,406	685,176	535,605
Amortization	<u>36,837</u>	<u>34,169</u>	<u>119,168</u>	<u>78,841</u>
	<u>248,855</u>	<u>227,575</u>	<u>804,344</u>	<u>614,446</u>
Operating income	92,795	76,078	284,043	194,513
Finance charges (Note 7)	30,142	31,590	101,195	77,856
Gain on settlement of contractual matters (Note 11)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
	<u>30,142</u>	<u>31,590</u>	<u>91,195</u>	<u>77,856</u>
Earnings before income taxes	62,653	44,488	192,848	116,657
Corporate income taxes	<u>19,535</u>	<u>14,214</u>	<u>61,380</u>	<u>35,686</u>
Net earnings before non-controlling interest and preference share dividends	43,118	30,274	131,468	80,971
Non-controlling interest	1,516	1,029	4,179	3,069
Preference share dividends	<u>4,152</u>	<u>3,793</u>	<u>12,455</u>	<u>8,223</u>
Net earnings applicable to common shares	<u>\$ 37,450</u>	<u>\$ 25,452</u>	<u>\$ 114,834</u>	<u>\$ 69,679</u>
Weighted average common shares outstanding (Notes 2 and 5)	<u>103,010</u>	<u>95,327</u>	<u>101,293</u>	<u>80,888</u>
Earnings per common share (Notes 2 and 5)				
Basic	\$ 0.36	\$ 0.27	\$ 1.13	\$ 0.86
Diluted	\$ 0.33	\$ 0.25	\$ 1.03	\$ 0.82

Consolidated Statements of Retained Earnings (Unaudited)
For the periods ended September 30
(in thousands)

	Quarter Ended		Nine Months Ended	
	2005	2004	2005	2004
Balance at beginning of period	\$ 385,111	\$ 316,904	\$ 337,013	\$ 294,986
Net earnings applicable to common shares	<u>37,450</u>	<u>25,452</u>	<u>114,834</u>	<u>69,679</u>
	<u>422,561</u>	<u>342,356</u>	<u>451,847</u>	<u>364,665</u>
Dividends on common shares	<u>(16,541)</u>	<u>(12,861)</u>	<u>(45,827)</u>	<u>(35,170)</u>
Balance at end of period	<u>\$ 406,020</u>	<u>\$ 329,495</u>	<u>\$ 406,020</u>	<u>\$ 329,495</u>

See accompanying notes to the interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the periods ended September 30
(in thousands)

	Quarter Ended		Nine Months Ended	
	2005	2004	2005	2004
Operating Activities				
Net earnings applicable to common shares	\$ 37,450	\$ 25,452	\$ 114,834	\$ 69,679
Items not affecting cash				
Amortization-capital assets, net of contributions in aid of construction	34,201	31,654	111,400	73,016
Amortization-intangibles	921	921	2,763	2,763
Amortization-other	1,715	1,594	5,005	3,062
Future income taxes	(153)	4,851	9,282	4,132
Accrued employee future benefits	(1,874)	(314)	(2,902)	(2,127)
Equity income, net of dividends	(1,144)	(543)	(2,387)	(543)
Stock-based compensation	387	260	1,177	698
Unrealized foreign exchange (gain) loss on long-term debt	(3,765)	135	(2,406)	(193)
Non-controlling interest	1,516	1,029	4,179	3,069
Other	20	(1,749)	314	(2,122)
	<u>69,274</u>	<u>63,290</u>	<u>241,259</u>	<u>151,434</u>
Change in non-cash operating working capital	30,532	47,321	(12,229)	29,241
	<u>99,806</u>	<u>110,611</u>	<u>229,030</u>	<u>180,675</u>
Investing Activities				
Change in deferred charges and credits	(2,603)	3,131	(5,904)	5,968
Purchase of utility capital assets	(101,652)	(65,876)	(290,804)	(137,858)
Purchase of income producing properties	(2,283)	(4,047)	(76,500)	(11,201)
Contributions in aid of construction	9,528	8,961	32,209	10,818
Proceeds on sale of utility capital assets	628	25	982	40
Business acquisitions, net of cash acquired	(50)	1,618	(3,298)	(752,735)
Increase in investments	-	(4)	-	(8)
	<u>(96,432)</u>	<u>(56,192)</u>	<u>(343,315)</u>	<u>(884,976)</u>
Financing Activities				
Change in short-term borrowings	(82,855)	(205,211)	(137,592)	748,526
Proceeds from long-term debt	96,361	16,106	194,377	23,206
Repayment of long-term debt	(9,907)	(7,793)	(45,150)	(26,121)
Repayment of assumed acquisition debt	-	-	-	(557,381)
Redemption of equity preference shares (Note 4)	(38)	-	(38)	-
Advances from (to) non-controlling interest	211	(10)	(853)	430
Issue of equity preference shares	-	144,458	-	189,394
Issue of common shares	2,013	1,792	132,327	338,156
Dividends				
Common shares	(16,541)	(12,861)	(45,827)	(35,170)
Subsidiary dividends paid to non-controlling interest	(573)	(431)	(1,362)	(1,273)
	<u>(11,329)</u>	<u>(63,950)</u>	<u>95,882</u>	<u>679,767</u>
Effect of exchange rate changes on cash	<u>(270)</u>	<u>(1,530)</u>	<u>(178)</u>	<u>(509)</u>
Change in cash and cash equivalents	<u>(8,225)</u>	<u>(11,061)</u>	<u>(18,581)</u>	<u>(25,043)</u>
Cash and cash equivalents, beginning of period	<u>26,847</u>	<u>51,112</u>	<u>37,203</u>	<u>65,094</u>
Cash and cash equivalents, end of period	<u>\$ 18,622</u>	<u>\$ 40,051</u>	<u>\$ 18,622</u>	<u>\$ 40,051</u>

See accompanying notes to the interim consolidated financial statements.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for interim financial statements and do not include all of the disclosures normally found in the Fortis Inc. (“Fortis” or the “Corporation”) annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation’s consolidated financial statements for the year ended December 31, 2004. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows as well as the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

Fortis is principally a diversified, international electric utility holding company. The Corporation segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in commercial real estate and hotel properties which are treated as a separate segment. The operating segments allow senior management to evaluate the operational performance and assess the overall contribution of each segment to the Corporation’s long-term objectives.

The following summary briefly describes the operations included in each of the Corporation’s operating and reportable segments.

Regulated Utilities - Canadian

The following summary describes the Corporation’s interest in Regulated Utilities in Canada by subsidiary:

- a. *Newfoundland Power*: Newfoundland Power is the principal distributor of electricity in Newfoundland.
- b. *Maritime Electric*: Maritime Electric is the principal distributor of electricity on Prince Edward Island.
- c. *FortisOntario*: FortisOntario provides an integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario. FortisOntario includes the operations of Canadian Niagara Power Inc. (“Canadian Niagara Power”) and Cornwall Street Railway, Light and Power Company, Limited (“Cornwall Electric”). Included in Canadian Niagara Power’s accounts are the operations of the electricity distribution business of Port Colborne Hydro Inc., which has been leased from the City of Port Colborne under a 10-year lease agreement entered into in April 2002. FortisOntario also owns a 10 per cent interest in each of Westario Power and Rideau St. Lawrence, 2 regional electric distribution companies formed in 2000.
- d. *FortisAlberta*: On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed “FortisAlberta”). FortisAlberta owns and operates the distribution system in a substantial portion of southern and central Alberta.
- e. *FortisBC*: On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed “FortisBC”). FortisBC is an integrated utility operating in the southern interior of British Columbia. Included with the FortisBC component of the Regulated Utilities – Canadian segment are the non-regulated operating, maintenance and management services relating to the 450-megawatt (“MW”) Waneta hydroelectric generating facility owned by Teck Cominco, the 145-MW Brilliant Hydroelectric Plant owned by Columbia Power Corporation and the Columbia Basin Trust (“CPC/CBT”), the 150-MW Arrow Lakes Hydroelectric Plant owned by CPC/CBT and the distribution system owned by the City of Kelowna. As of June 1, 2005, the FortisBC component of Regulated Utilities – Canadian segment includes Princeton Light and Power Company, Limited (“PLP”). On May 31, 2005, Fortis, through an indirect wholly owned subsidiary, acquired all issued common and preference shares of PLP. PLP is an electric utility serving approximately 3,200 customers, mainly in Princeton, British Columbia. PLP presently purchases its wholesale power from FortisBC under a long-term contract.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION (cont'd)

Regulated Utilities - Caribbean

The following summary describes the Corporation's interest in Regulated Utilities in the Caribbean by utility:

- a. *Belize Electricity*: Belize Electricity is the principal distributor of electricity in Belize, Central America. The Corporation holds a 68 per cent controlling interest in the Company.
- b. *Caribbean Utilities*: Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands. The Corporation's 36.8 per cent interest in the Company is accounted for on the equity basis of accounting.

Non-regulated - Fortis Generation

The following summary describes the Corporation's non-regulated generation assets by location:

- a. *Ontario*: Operations include the 75-MW Rankine hydroelectric generating station at Niagara Falls, the 5-MW Cornwall District Heating cogeneration plant and 6 small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW. Non-regulated generating operations in Ontario are conducted through FortisOntario Inc. and FortisOntario Generation Corporation.
- b. *Belize*: Operations consist of the 25-MW Mollejon and 7-MW Chalillo hydroelectric facilities in Belize. All of its electricity output is sold to Belize Electricity under a 50-year Power Purchase Agreement. Hydroelectric generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, Belize Electric Company Limited ("BECOL"), under a Franchise Agreement with the Government of Belize.
- c. *Central Newfoundland*: Through the Exploits River Hydro Partnership ("Exploits Partnership"), a partnership between the Corporation and Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"), 36 MW of additional capacity was developed and installed at 2 of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds a 51 per cent interest in the Exploits Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Partnership sells its output to Newfoundland and Labrador Hydro Corporation under a 25-year power purchase agreement.
- d. *Upper New York State*: Includes the operations of 4 hydroelectric generating stations in Upper New York State with a combined capacity of 23 MW operating under a license from the U.S. Federal Energy Regulatory Commission. Hydroelectric generation operations in Upper New York State are conducted through the Corporation's wholly owned indirect subsidiary, FortisUS Energy Corporation.
- e. *British Columbia*: Includes the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to BC Hydro under a long-term contract. Hydroelectric generating operations in British Columbia are conducted through the Walden Power Partnership, a wholly owned subsidiary of FortisBC.

Non-regulated - Fortis Properties

Fortis Properties owns and operates hotels in 6 provinces in Canada and commercial real estate in Atlantic Canada. On February 1, 2005, Fortis Properties acquired 3 hotels in Alberta and Manitoba that have approximately 650 rooms and 27,000 square feet of banquet space.

Corporate

Corporate includes finance charges related to debt incurred directly by Fortis, including foreign exchange gains or losses, dividends on preference securities, other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related corporate income taxes.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP, including selected accounting treatments that differ from those used by entities not subject to rate regulation. The timing of the recognition of certain assets, liabilities, revenues and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for entities not subject to rate regulation. These interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual financial statements except as it relates to that described below. All amounts are presented in Canadian dollars unless otherwise stated.

On September 28, 2005, the Board of Directors of Fortis declared a stock dividend effecting a 4-for-1 stock split of the Corporation's outstanding common shares. The stock dividend was paid on October 21, 2005 to shareholders of record on October 14, 2005. For all periods presented, all references to the number of shares issued and outstanding, weighted average number of shares, basic and diluted earnings per share amounts, and stock option data have been retroactively restated to reflect the effect of this stock split.

3. USE OF ESTIMATES

The preparation of the Corporation's interim consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates. Interim financial statements may employ a greater use of estimates than the annual financial statements. There were no material changes to the Corporation's critical accounting estimates year to date September 30, 2005 from those disclosed in the 2004 Management Discussion and Analysis for the year ended December 31, 2004 except as disclosed in Note 13 to the interim consolidated financial statements

4. EQUITY PREFERENCE SHARES

Authorized:

- (a) an unlimited number of First Preference Shares, without nominal or par value; and
- (b) an unlimited number of Second Preference Shares, without nominal or par value.

	September 30, 2005		December 31, 2004	
	Number of Shares	Amount (in thousands)	Number of Shares	Amount (in thousands)
Series C First Preference Shares	5,000,000	\$ 122,992	5,000,000	\$ 122,992
Series D First Preference Shares	-	-	6,500	38
Series E First Preference Shares	7,993,500	196,500	7,993,500	196,500
	<u>12,993,500</u>	<u>\$ 319,492</u>	<u>13,000,000</u>	<u>\$ 319,530</u>

On September 20, 2005 the 6,500 Series D First Preference Shares were redeemed, without premium, at a redemption price of \$6.25 per Series D First Preference Share.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

5. CAPITAL STOCK

Authorized: an unlimited number of Common Shares without nominal or par value:

	September 30, 2005		December 31, 2004	
	Number of Shares ⁽¹⁾	Amount (in thousands)	Number of Shares ⁽¹⁾	Amount (in thousands)
a) Issued and Outstanding				
Common Shares	103,067,296	\$ 810,156	95,529,292	\$ 675,215

Common shares issued during the period were as follows:

	Quarter Ended September 30, 2005		Year-to-date September 30, 2005	
	Number of Shares ⁽¹⁾	Amount (in thousands)	Number of Shares ⁽¹⁾	Amount (in thousands)
Balance, beginning of period	102,953,256	\$ 808,143	95,529,292	\$ 675,215
Public offering	-	-	6,960,000	126,072
Partial consideration in business acquisition	-	-	23,668	443
Consumer Share Purchase Plan	17,796	373	62,596	1,199
Dividend Reinvestment Plan	36,716	769	129,600	2,484
Employee Share Purchase Plan	19,836	416	115,172	2,175
Directors' and Executive Stock Option Plans	39,692	455	246,968	2,568
	103,067,296	\$ 810,156	103,067,296	\$ 810,156

(1) The share information has been retroactively restated to reflect the October 2005 4-for-1 stock split.

On March 1, 2005, Fortis issued 6,960,000 common shares (adjusted for stock split) of the Corporation at \$18.66 per common share (adjusted for stock split). The common share issuance resulted in gross proceeds of approximately \$130 million. Net proceeds after tax-effected issuance costs totalled \$126.1 million. The proceeds of the issuance were used to pay outstanding indebtedness and for general corporate purposes.

On May 31, 2005, Fortis issued 23,668 common shares (adjusted for stock split) of the Corporation at a fair value of \$18.71 per common share, the 5-day average trading price of Fortis' Common Shares for the last five trading days immediately preceding the acquisition (adjusted for stock split), to the shareholders of PLP, combined with a cash payment, to acquire all of the issued common and preference shares of PLP.

At September 30, 2005, 6,492,244 common shares remained reserved for issue under the terms of the above noted Plans (adjusted for stock split).

b) Earnings per Common Share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The year-to-date weighted average common shares outstanding were 101,293,188 and 80,887,924 at September 30, 2005 and September 30, 2004, respectively (adjusted for stock split).

The weighted average common shares outstanding were 103,009,732 and 95,326,756 for the quarters ended September 30, 2005 and September 30, 2004, respectively (adjusted for stock split). Diluted earnings per common share are calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

5. CAPITAL STOCK (cont'd)

Earnings per common share are as follows:

	Quarter Ended September 30					
	2005			2004		
	Earnings (in thousands)	Weighted Average Shares ⁽¹⁾ (in thousands)	Earnings per Common Share ⁽¹⁾	Earnings (in thousands)	Weighted Average Shares ⁽¹⁾ (in thousands)	Earnings per Common Share ⁽¹⁾
Earnings	\$ 37,450			\$ 25,452		
Weighted average shares outstanding		103,010			95,327	
Basic Earnings per Common Share			\$ 0.36			\$ 0.27
Effect of dilutive securities:						
Stock options	-	920		-	824	
Preference Shares	4,152	19,688		3,793	19,984	
Convertible Debentures	273	1,924		297	1,924	
Diluted Earnings per Common Share	\$ 41,875	125,542	\$ 0.33	\$ 29,542	118,059	\$ 0.25

	Year-to-date September 30					
	2005			2004		
	Earnings (in thousands)	Weighted Average Shares ⁽¹⁾ (in thousands)	Earnings per Common Share ⁽¹⁾	Earnings (in thousands)	Weighted Average Shares ⁽¹⁾ (in thousands)	Earnings per Common Share ⁽¹⁾
Earnings	\$ 114,834			\$ 69,679		
Weighted average shares outstanding		101,293			80,888	
Basic Earnings per Common Share			\$ 1.13			\$ 0.86
Effect of dilutive securities:						
Stock options	-	920		-	824	
Preference Shares	12,455	19,688		8,223	12,792	
Convertible Debentures	836	1,924		907	1,924	
Diluted Earnings per Common Share	\$ 128,125	123,825	\$ 1.03	\$ 78,809	96,428	\$ 0.82

(1) The share information has been retroactively restated to reflect the October 2005 4-for-1 stock split.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

5. CAPITAL STOCK (cont'd)

c) Stock Options

The Corporation is authorized to grant, to the directors of Fortis and certain key employees of the Corporation and its subsidiaries, options to purchase common shares of the Corporation. At September 30, 2005, the Corporation had the following stock-based compensation plans: Executive Stock Option Plan, Directors' Stock Option Plan and 2002 Stock Option Plan. The 2002 Stock Option Plan was adopted at the Annual and Special General Meeting on May 15, 2002 to ultimately replace the Executive and Directors' Stock Option Plans. The Executive and Directors' Stock Options Plans will cease to exist when all outstanding options are exercised or expire in or before 2011. As a result of the October 2005 stock split, all stock options are split 4-for-1 with the exercise price at one quarter of the pre-split exercise price.

	Quarter Ended		Year-to-date	
	September 30, 2005		September 30, 2005	
	Number of Options ⁽¹⁾	Weighted Average Price ⁽¹⁾	Number of Options ⁽¹⁾	Weighted Average Price ⁽¹⁾
Outstanding at beginning of period	3,462,268	\$ 14.05	2,882,588	\$ 12.57
Granted	33,740	\$ 20.82	845,720	\$ 18.49
Cancelled	-	\$ -	(25,024)	\$ 16.56
Exercised	(39,692)	\$ 11.47	(246,968)	\$ 10.40
Outstanding at end of period	<u>3,456,316</u>	<u>\$ 14.15</u>	<u>3,456,316</u>	<u>\$ 14.15</u>

Details of stock options outstanding are as follows:	Number of Options⁽¹⁾	Exercise Price⁽¹⁾	Expiry Date
	467,796	\$ 9.57	2011
	655,664	\$ 12.03	2012
	704,924	\$ 12.81	2013
	709,712	\$ 15.28	2014
	12,000	\$ 15.23	2014
	73,540	\$ 14.55	2014
	770,940	\$ 18.40	2015
	28,000	\$ 18.11	2015
	<u>33,740</u>	<u>\$ 20.82</u>	2015
	<u>3,456,316</u>		
Options vested at end of period	<u>1,487,044</u>		

(1) The number and exercise price of stock options have been retroactively restated to reflect the October 2005 4-for-1 stock split.

Stock-based Compensation

On March 1, 2005, the Corporation issued 783,980 options (adjusted for stock split) on common shares under its 2002 Stock Option Plan at the 5-day average trading price immediately preceding the date of grant of \$18.40 (adjusted for stock split). These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was \$2.75 per option (adjusted for stock split).

On May 11, 2005, the Corporation issued 28,000 options (adjusted for stock split) on common shares under its 2002 Stock Option Plan at the 5-day average trading price immediately preceding the date of grant of \$18.11 (adjusted for stock split). These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was \$2.58 per option (adjusted for stock split).

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

5. CAPITAL STOCK (cont'd)

On August 16, 2005, the Corporation issued 33,740 options (adjusted for stock split) on common shares under its 2002 Stock Option Plan at the 5-day average trading price immediately preceding the date of grant of \$20.82 (adjusted for stock split). These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was \$2.82 per option (adjusted for stock split).

The fair value was estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

	<u>March 1, 2005</u>	<u>May 11, 2005</u>	<u>August 16, 2005</u>
Dividend yield (%)	3.44	3.44	3.44
Expected volatility (%)	15.3	15.2	14.90
Risk-free interest rate (%)	4.28	4.12	3.93
Weighted-average expected life (years)	7.5	7.5	7.5

The Corporation records compensation expense upon the issuance of stock options under its Stock Option Plans. Using the fair value method, the compensation expense is amortized over the 4-year vesting period of the options granted. Upon exercise, the proceeds of the options are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders' equity. Under the fair value method, \$0.4 million and \$1.2 million were recorded as compensation expense for the quarter ended and 9 months ended September 30, 2005, respectively (\$0.3 million and \$0.7 million for the quarter ended and 9 months ended September 30, 2004, respectively).

6. EMPLOYEE FUTURE BENEFITS

The Corporation provides pension arrangements and other post-employment benefits to qualified employees through both defined contribution and defined benefit arrangements. The cost of providing the defined benefit arrangements was \$2.5 million for the quarter (\$3.1 million for the third quarter of 2004) and \$10.7 million year to date (\$8.1 million year to date for 2004). The cost of providing the defined contribution arrangements for the quarter was \$0.7 million (\$0.6 million for the third quarter 2004) and \$2.3 million year to date (\$1.9 million year to date for 2004).

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

7. FINANCE CHARGES

<i>(in thousands)</i>	Quarter Ended September 30		Year-to-date September 30	
	2005	2004	2005	2004
Amortization of debt and stock issue expenses	\$ 147	\$ 66	\$ 493	\$ 204
Interest - long term debt	35,560	23,898	105,281	68,287
- short-term	699	9,029	4,066	13,559
Interest charged to construction	(2,016)	(1,239)	(4,684)	(2,907)
Interest earned	(483)	(299)	(1,555)	(1,094)
Unrealized foreign exchange (gain) loss on long-term debt	(3,765)	135	(2,406)	(193)
	\$ 30,142	\$ 31,590	\$ 101,195	\$ 77,856

8. INCOME TAXES

In FortisAlberta, as prescribed by the AEUB in its Negotiated Settlement Agreement of May 24, 2005, provincial income tax expenses are recovered through customer rates based on the taxes payable method and federal income tax expenses will now be recovered through customer rates based on a modified liability method. Under the modified liability method, current rates will now include the recovery of future federal income taxes related to specified temporary differences between the tax basis of assets and liabilities and their carrying amounts for regulatory purposes. As a result of collecting a portion of future income taxes associated with federal income taxes within current rates, FortisAlberta has now recognized all future income taxes associated with federal taxes within the financial statements. Regulatory accounting principles allow for the recognition of a liability when a future tax asset is recognized if it is probable that a future reduction in revenue will result when that future tax asset is realized. Since only a certain portion of the federal future income taxes have been included in rates, FortisAlberta has set up an offsetting regulatory liability equal to the amount of future income taxes recognized in the financial statements that have not yet been reflected in rates. These amounts will be reflected in future rates to customers as timing differences reverse. In addition, FortisAlberta continues to recognize future income taxes for certain deferral amounts where future income taxes will not be collected in future rates.

9. a) SEGMENTED INFORMATION (cont'd)

Information by reportable segment is as follows:

Year to date (in thousands of dollars)	Regulated Utilities					Non-Regulated			Inter-segment elimination	Consolidated		
	Nfld Power	Maritime Electric	Fortis Ontario	Fortis Alberta	Fortis BC	Total Canadian	Total Caribbean	Generation			Properties	Corporate
September 30, 2005												
Operating revenues	318,552	87,811	106,763	201,107	144,601	858,834	55,954	57,912	116,116	8,093	(17,134)	1,079,775
Equity income	-	-	-	-	-	-	8,612	-	-	-	-	8,612
Energy supply costs	186,900	53,300	84,414	-	44,478	369,092	30,056	4,569	-	-	(6,147)	397,570
Operating expenses	39,859	9,155	10,441	83,019	47,957	190,431	7,875	11,719	74,284	6,463	(3,166)	287,606
Amortization	25,876	7,237	3,763	45,607	14,114	96,597	4,542	7,757	8,175	2,097	-	119,168
Operating income	65,917	18,119	8,145	72,481	38,052	202,714	22,093	33,867	33,657	(467)	(7,821)	284,043
Finance charges	23,444	5,785	3,804	17,873	13,163	64,069	3,873	11,370	14,800	14,904	(7,821)	101,195
Gain on settlement of contractual matters	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Corporate income taxes	14,192	4,949	170	22,708	5,937	47,956	919	10,312	7,647	(5,454)	-	61,380
Non-controlling interest	441	-	-	-	-	441	2,706	1,156	-	(124)	-	4,179
Preference share dividends	-	-	-	-	-	-	-	-	-	12,455	-	12,455
Net earnings (loss)	27,840	7,385	4,171	31,900	18,952	90,248	14,595	21,029	11,210	(22,248)	-	114,834
September 30, 2004												
Goodwill	-	19,858	42,947	229,097	220,745	512,647	-	-	-	-	-	512,647
Identifiable assets	783,650	263,374	118,936	708,736	651,534	2,526,230	201,396	262,577	427,226	43,099	(26,543)	3,433,985
Equity investment assets	-	-	-	-	-	-	163,599	-	-	-	-	163,599
Total assets	783,650	283,232	161,883	937,833	872,279	3,038,877	364,995	262,577	427,226	43,099	(26,543)	4,110,231
Capital expenditures	37,828	33,741	5,648	106,752	77,104	261,073	8,367	19,382	76,500	1,982	-	367,304
September 30, 2004												
Operating revenues	300,067	87,582	93,415	72,422	54,411	607,897	54,819	49,137	101,164	7,591	(18,279)	802,329
Equity income	-	-	-	-	-	-	6,630	-	-	-	-	6,630
Energy supply costs	172,067	54,560	71,072	-	16,778	314,477	28,663	4,157	-	-	(8,087)	339,210
Operating expenses	37,760	9,009	9,223	32,447	18,040	106,479	8,413	12,446	65,327	6,603	(2,873)	196,395
Amortization	24,602	6,881	3,726	17,636	5,655	58,500	4,874	7,504	7,066	897	-	78,841
Operating income	65,638	17,132	9,394	22,339	13,938	128,441	19,499	25,030	28,771	91	(7,319)	194,513
Finance charges	22,801	6,424	3,942	4,917	5,448	43,532	3,969	11,585	13,599	12,490	(7,319)	77,856
Corporate income taxes	14,588	4,323	2,059	6,328	2,393	29,691	747	5,236	6,154	(6,142)	-	35,686
Non-controlling interest	441	-	-	-	-	441	2,604	150	-	(126)	-	3,069
Preference share dividends	-	-	-	-	-	-	-	-	-	8,223	-	8,223
Net earnings (loss)	27,808	6,385	3,393	11,094	6,097	54,777	12,179	8,059	9,018	(14,354)	-	69,679
September 30, 2004												
Goodwill	-	19,858	45,577	229,097	219,509	514,041	-	-	-	-	-	514,041
Identifiable assets	769,484	234,360	114,536	574,879	533,829	2,227,088	211,808	260,699	351,647	41,143	(29,818)	3,062,567
Equity investment assets	-	-	-	-	-	-	165,686	-	-	-	-	165,686
Total assets	769,484	254,218	160,113	803,976	753,338	2,741,129	377,494	260,699	351,647	41,143	(29,818)	3,742,294
Capital expenditures	44,516	15,449	7,478	38,402	9,388	115,233	13,005	8,560	11,201	1,060	-	149,059

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

9. b) Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions primarily relate to the sale of energy from BECOL to Belize Electricity and finance charges on inter-company borrowings.

10. BUSINESS ACQUISITION

On May 31, 2005, Fortis, through an indirect wholly owned subsidiary, acquired all issued and outstanding common and preference shares of PLP for an aggregate purchase price of \$3.7 million. PLP is an electric utility that serves approximately 3,200 customers, mainly in Princeton, British Columbia. PLP presently purchases its wholesale power from FortisBC under a long-term contract.

The acquisition was financed through a combination of cash consideration of \$3.3 million and the issuance of 23,668 common shares (adjusted for stock split) of the Corporation at a fair value of \$18.71 per Common Share, the 5-day average trading price of Fortis' Common Shares for the last five trading days immediately preceding the acquisition (adjusted for stock split).

The acquisition is accounted for using the purchase method, whereby the results of full operations have been included in the consolidated financial statements commencing May 31, 2005. The book value of these assets and liabilities has been assigned as fair value for purchase price allocation. The regulated nature of PLP and the determination of its revenues and earnings are based on historic values and do not change with market conditions or change of ownership. Therefore, no fair market value increments were recorded as part of the purchase price on individual assets and liabilities because all economic benefits and obligations associated with them will accrue to the customers.

The purchase price allocation to net assets based on their fair values is as follows:

(in thousands)

Fair value assigned to net assets:	
Utility capital assets	\$ 6,381
Current assets	1,168
Goodwill	1,235
Other assets	445
Current liabilities	(1,094)
Assumed long-term debt	(3,990)
Future income taxes	(329)
Other liabilities	(75)
	<u>\$ 3,741</u>

11. GAIN ON SETTLEMENT OF CONTRACTUAL MATTERS

In the first quarter of 2005, Fortis recorded a \$7.9 million after-tax gain (\$10 million pre-tax) resulting from the settlement of contractual matters between FortisOntario and Ontario Power Generation Inc.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

12. SHORT-TERM AND LONG-TERM DEBT

The Corporation and its subsidiaries had consolidated authorized lines of credit of \$748.8 million of which \$531.1 million was unused at September 30, 2005. The following summary outlines the Corporation's credit facilities by reporting segments.

Credit Facilities <i>(\$ millions)</i>	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	Total
Total credit facilities	210.0	518.5	7.8	12.5	748.8
Utilized at September 30, 2005	(3.0)	(139.2)	(3.7)	-	(145.9)
Letters of credit outstanding	(4.6)	(64.6)	-	(2.6)	(71.8)
Credit facilities available	202.4	314.7	4.1	9.9	531.1

Certain borrowings under the Corporation's credit facilities have been classified as long-term debt. These borrowings are under long-term credit facilities and Management's intention is to refinance these borrowings with long-term permanent financing during future periods. The following summary outlines the balance sheet classification as at September 30, 2005 of the Corporation's utilized credit facilities by reporting segments.

Credit Facilities <i>(\$ millions)</i>	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	Total
Short-term borrowings	3.0	48.3	3.7	-	55.0
Long-term debt	-	90.9	-	-	90.9
Total credit facilities utilized	3.0	139.2	3.7	-	145.9

In January 2005, Fortis entered into a \$50 million unsecured revolving/non-revolving term credit facility for its general corporate purposes, including acquisitions. Fortis also entered into a \$15 million demand facility.

In January 2005, Newfoundland Power cancelled its \$110 million uncommitted lines of credit and entered into a syndicated \$100 million committed revolving term credit facility and a \$20 million uncommitted demand facility.

In January 2005, Maritime Electric entered into a \$25 million non-revolving unsecured short-term bridge financing, due January 2006, to support the construction of the 50-MW generating facility.

In March 2005, Fortis Properties completed a 5-year 5.1% \$29.6 million loan related to the financing of the Edmonton and Calgary Greenwood Inns that were acquired on February 1, 2005.

In April 2005, Fortis Properties completed a 5-year 5.35% \$12.3 million loan related to the Winnipeg Greenwood Inn which was acquired on February 1, 2005.

In May 2005, Fortis renegotiated its \$145 million unsecured revolving/non-revolving term credit facility to a \$145 million unsecured revolving term credit facility that matures in May 2008. This facility can be used for general corporate purposes, including acquisitions. At September 30, 2005, there was \$3.0 million drawn on this facility.

In May 2005, Fortis Alberta renegotiated its \$100 million unsecured revolving/non-revolving term credit facility to a \$150 million unsecured revolving term credit facility that matures in May 2008. At September 30, 2005, there was \$20.9 million drawn on this facility.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

12. SHORT-TERM AND LONG-TERM DEBT (cont'd)

In May 2005, FortisBC renegotiated its \$100 million unsecured revolving/non-revolving term credit facility to a \$100 million unsecured revolving term credit facility that matures in May 2008. Additionally, in May 2005, FortisBC entered into a \$50 million unsecured revolving/non-revolving credit facility. At September 30, 2005, there was \$70 million drawn on these facilities. All borrowings are reported as long-term debt as they can be covered by existing long-term financing arrangements and Management's intention is to refinance these borrowings with long-term permanent financing during future periods.

In August 2005, Newfoundland Power closed a private placement of \$60 million, 5.441% First Mortgage Sinking Fund Bonds, due August 15, 2035. The net proceeds from the private placement were used to repay short-term indebtedness and for general corporate purposes.

In September 2005, PLP entered into \$5.4 million of credit facilities consisting of a \$0.7 million revolving demand operating line and a \$4.7 million non-revolving demand installment loan.

As a result of the October 2005 4-for-1 stock split, the conversion price of Fortis US\$10 million, 6.75% Unsecured Subordinated Convertible Debentures, due 2012 and US\$10 million, 5.5% Unsecured Subordinated Convertible Debentures due 2013 have been reduced to one quarter of the original conversion price from US\$36.74 per share and US\$47.86 per share to US\$9.185 per share and US\$11.965 per share, respectively.

13. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments as of September 30, 2005 are consistent with disclosures in the annual audited consolidated financial statements for the year ended December 31, 2004 except as described below:

(a) Newfoundland Power

In 2002, Canada Revenue Agency ("CRA") confirmed a 2000 reassessment related to the Newfoundland Power's 1993 taxation year, which included in income the value of electricity consumed in December 1993 but not billed until January 1994. Newfoundland Power's practice has been to record revenue on a billed basis. This method has been audited and accepted previously by CRA and is in accordance with regulatory requirements.

During the second quarter of 2005, Newfoundland Power entered into an agreement with CRA that provides for the full settlement of this issue on a prospective basis. Under the terms of the settlement, CRA will cancel all outstanding reassessments related to the Company's revenue recognition policy in past years and refund the Company's deposit along with interest. The provisions of the Income Tax Act required the Company to deposit approximately \$6.9 million with CRA, representing one half of the amount under appeal. At September 30, 2005, this deposit has been received in full with additional amounts representing accrued interest thereon.

Newfoundland Power will record revenue for income tax purposes on the accrual basis starting in 2006, and each of the 2006, 2007 and 2008 taxation years will include 1/3 of the value of the electricity consumed by its customers in December 2005 but not billed until January 2006. During the quarter, Newfoundland Power filed an accounting policy application with the PUB addressing the appropriate revenue recognition policy for regulatory purposes beginning in 2006.

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the periods ended September 30, 2005 and 2004 (unless otherwise stated)
(Unaudited)

13. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

(b) FortisAlberta

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR Energy Services (Alberta) Inc. ("EPCOR") sought damages of approximately \$83 million for alleged breaches of certain agreements between it and FortisAlberta, distribution tariff terms and conditions and fiduciary duty, as well as for negligence. On August 8, 2005 FortisAlberta announced that an agreement was reached with EPCOR Energy Services to settle all aspects of the statement of claim filed on August 18, 2003. All amounts related to the settlement were reflected in the Corporation's second quarter results as the Corporation had adequate provisions to offset this settlement. On October 3, 2005, FortisAlberta signed an agreement with Aquila, Inc. and its insurers, which partitioned an insurance policy intended to cover legal expenses incurred to defend a lawsuit, as well as any amounts rendered against FortisAlberta by way of a legal ruling, or agreed to in a settlement. The proceeds receivable under this policy have partially offset the settlement of the EPCOR litigation and were reflected in the third quarter results. All aspects of the EPCOR settlement and the terms of the insurance agreement are confidential.

(c) FortisBC

FortisBC has received correspondence and met with the B.C. Ministry of Forests (the "Ministry") to discuss the possibility of an invoice being issued to the Company related to fire suppression costs associated with certain forest fires in FortisBC's service territory in 2003. The Ministry has alleged breaches of the Forest Practices Code and negligence and has filed, but not served, a writ and statement of claim against FortisBC. FortisBC is currently communicating with the Ministry and its insurers. In addition, FortisBC has become aware of two writs and statements of claim filed, but not served by, private land owners in relation to the same matter.

(d) Cornwall Electric

In May 2003, Cornwall Electric received a CRA reassessment disallowing amounts claimed as capital cost allowance ("CCA") in respect of a Class 14 asset of Cornwall Electric. This Class 14 asset was created upon acquisition of Cornwall Electric by a previous owner. As a result, CCA deductions totaling \$2.1 million claimed during the 1998 to 2001 taxation years were disallowed. The opening undepreciated capital cost of the Class 14 asset, including valuation allowance, was valued at approximately \$1.4 million on Cornwall Electric's balance sheet. Cornwall Electric had filed a Notice of Objection with the CRA.

During the third quarter of 2005, Cornwall Electric obtained a favourable resolution of the CRA reassessment. The impact of this resolution resulted in the recognition in FortisOntario of a future tax asset of \$4.2 million, a \$2.6 million reduction of goodwill and a \$1.6 million reduction of future income tax expense in the third quarter.

14. SUBSEQUENT EVENT

On October 27, 2005, FortisBC entered into an agreement with Scotia Capital Inc., on behalf of a syndicate of underwriters, for the issuance of \$100.0 million 30-year 5.6% Senior Unsecured Debentures maturing November 9, 2035. FortisBC will file a preliminary short form prospectus in all Canadian provinces in connection with this debenture offering. The offering is subject to customary securities regulatory approvals and closing conditions and is expected to close on or about November 10, 2005. The net proceeds from the offering are planned to be used to repay certain existing indebtedness under FortisBC's credit facilities, which was incurred primarily to fund capital expenditures. Any proceeds remaining thereafter will be used for capital expenditures and other corporate purposes.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period's classifications.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

February 7, 2006 May 2, 2006
August 4, 2006 October 31, 2006

Dividend Record Dates

November 4, 2005 February 3, 2006
May 5, 2006 August 4, 2006

Dividend Payment Dates

December 1, 2005 March 1, 2006
June 1, 2006 September 1, 2006

* *The declaration and payment of dividends are subject to Board of Directors' approval.*

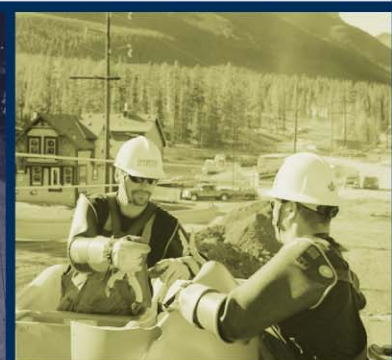
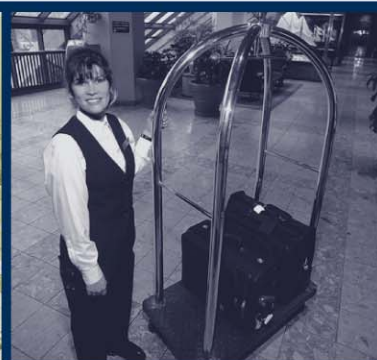
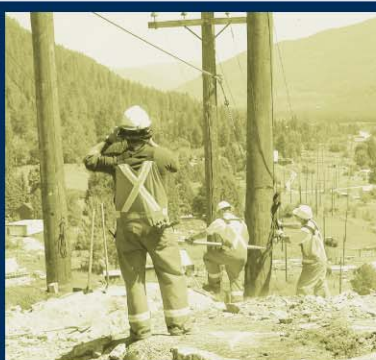
Registrar and Transfer Agent

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514-982-7555 or 1-866-586-7638
F: 416-263-9394 or 1-888-453-0330
E: service@computershare.com
W: www.computershare.com

Share Listings

The Common Shares, Series C First Preference Shares and Series E First Preference Shares of Fortis Inc. trade on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C and FTS.PR.E, respectively.

Fortis Common Shares (\$)		
Quarter Ended September 30		
	2005	2004
High	25.19	15.38
Low	19.13	14.23
Close	24.11	15.31



Fortis Inc.
The Fortis Building
Suite 1201, 139 Water Street
P.O. Box 8837
St. John's, NL, Canada A1B 3T2

T: 709.737.2800
F: 709.737.5307
www.fortisinc.com

Design: CCL Milestone, St. John's, NL